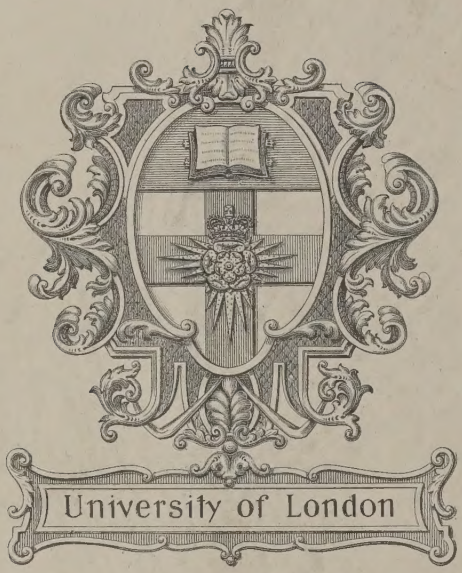
University of London

REPORTS

FROM

COMMITTEES:

ONE VOLUME.

COMMERCIAL DISTRESS, 1848, (*Reprint*);
CONTRACTS FOR PUBLIC DEPARTMENTS;
LIBRARY OF THE HOUSE OF COMMONS; PRINTING;
PRIVATE BILLS; PUBLIC MONIES;
RAILWAY AND CANAL BILLS; STATUTE LAW COMMISSION.

Session

3 *February* —— 21 *March* 1857.

VOL. II.

1857.

REPORTS FROM COMMITTEES:

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ONE VOLUME:

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FROM THE

SECRET COMMITTEE OF THE HOUSE OF LORDS

APPOINTED TO INQUIRE INTO THE

Causes of the Distress which has for some Time prevailed among the Commercial Classes, and how far it has been affected by the Laws for regulating the Issue of Bank Notes payable on Demand.

Session 1847-8.

Ordered to be re-printed 17th February 1857.

(16.)

[Commons 0. 50]

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REPORT.

BY THE LORDS COMMITTEES appointed a SECRET COMMITTEE to inquire into the CAUSES of the DISTRESS which has for some Time prevailed among the COMMERCIAL CLASSES, and how far it has been affected by the LAWS for regulating the ISSUE OF BANK NOTES PAYABLE ON DEMAND, and to whom were referred several Petitions and Papers relating to the Subject Matter referred to them;—

ORDERED TO REPORT,

THAT the Committee have met, and commenced their Inquiries by calling for Accounts illustrating the State of Commercial Affairs, and the Fluctuations both in the Circulation and in the Value of Securities, for some Years past. They have subsequently examined Witnesses, who from their official Position, their Knowledge and Experience, were able to give useful Evidence, more particularly respecting the Pressure and Alarm which prevailed at the Beginning, and towards the Close, of the last Year. The Committee have also examined into the Influence of the 7 & 8 Vict. c. 32., and the Effect of the Letter of Her Majesty's Government addressed to the Bank in the Month of October, at the Moment when the Commercial Panic was most severely felt.

A sudden and unexampled Demand for Foreign Corn, produced by a Failure in many Descriptions of Agricultural Produce throughout the United Kingdom, coincided with the unprecedented Extent of Speculation produced by increased Facilities of Credit and a low Rate of Interest, and had for some Time occasioned Over-trading in many Branches of Commerce. This was more especially felt in Railroads, for which Calls to a large Amount were daily becoming payable, without corresponding Funds to meet them, except by the Withdrawal of Capital from other Pursuits and Investments. These Causes account for much of the Pressure under which many of the weaker Commercial Firms were doomed to sink, and which was felt even by the strongest. To these Causes may be added a contemporaneous Rise of Price in Cotton; and, with respect to Houses connected with the East and West India Trade, a sudden and extensive Fall in the Price of Sugar, by which the Value of their most readily available Assets underwent great Depreciation.

In what precise Proportion these different Causes contributed to the common Disaster there is some Room for Difference of Opinion, but that each had a considerable Share in producing it, no Person has been found to dispute.

Some of these Causes are obviously beyond the Reach of Legislative Control. But upon those which are connected with the Extension of Commercial Speculation, encouraged or checked by the Facility, or the Difficulty, of

obtaining Credit by the Advance of Capital and the Discount of Bills, the Powers and Position of the Bank of England must at all Times enable that Corporation to exercise an important Influence. The Committee have consequently felt it to be their Duty to inquire into the Course pursued by the Bank, acting under the Provisions of the 7 & 8 Vict. c. 32., and they have come to the Conclusion that the recent Panic was materially aggravated by the Operation of that Statute, and by the Proceedings of the Bank itself. This Effect may be traced, directly, to the Act of 1844, in the legislative Restriction imposed on the Means of Accommodation, whilst a large Amount of Bullion was held in the Coffers of the Bank, and during a Time of favourable Exchanges; and it may be traced to the same Cause, indirectly, as a Consequence of great Fluctuations in the Rate of Discount, and of Capital previously advanced at an unusually low Rate of Interest. This Course the Bank would hardly have felt itself justified in taking, had not an Impression existed that, by the Separation of the Issue and the Banking Departments, one inflexible Rule for regulating the Bank Issues had been substituted by Law in place of the Discretion formerly vested in the Bank. The Banking Department was considered to be thus absolved from all Obligation, but that which was connected with the pecuniary Interests of the Proprietary. Though it may be true, as stated by the Governor and Deputy Governor, "that if they were to do anything for the Interests of the Proprietors that was not for the Interests of the whole Commercial Community, the Evil would fall back on the Bank, and, instead of having a beneficial Effect, would have an injurious one, as far as the Bank is concerned;" yet this Principle does not appear to have been practically recognized in all Cases, and the Act of 1844 avowedly left the Directors at full Liberty to act according to their own Views of their corporate Interests.

But before they pursue this Subject further the Committee feel it their Duty to lay before the House, from the Testimony of some of the Witnesses examined, a more full and distinct Account of the Causes, Extent, and Consequences of the Distress of the last Year. This is necessary, not only for a due Appreciation of the Facts themselves, but to enable the House to consider what remedial Measures may be required, whether by an Alteration of the Law, by an altered System of administering the Affairs of the Bank, or by a Combination of both. The following is the Statement made on this Subject by the Governor and Deputy Governor of the Bank.

Sect. I.—Causes and Extent of the Distress of 1847.

Sect. I. *Causes and Extent of Distress of* 1847.

Messrs. Morris and Prescott.

12.

"An unprecedented large Importation of Food, caused by a deficient Harvest, required in Payment the Export of a large Amount of Bullion, to the Extent of about 7,500,000*l.*, from the Coffers of the Bank, and probably not less than 1,500,000*l.* from other Sources,—together 9,000,000*l.* From this great Reduction in the available Capital of the Country, in addition to the still larger Amount invested in Railway Expenditure, acting suddenly upon a previous high State of Credit and excessive Speculation, arose the Pressure in the Money Market. There was an Abstraction of 7,500,000*l.* from the Bullion held by the Bank, and consequently a Diminution in the Notes to that Extent. I assume that 1,500,000*l.* may have gone out from the Gold in Circulation; that may be more or less, but I assume that about 9,000,000*l.* went out in the Purchase of Food in the course of the Year 1847. Then I make a Distinction between the Panic and the Pressure. The Panic began by

by the Failures in the Corn Trade. The Price of Wheat had risen to about 120*s.* Large Arrivals of Grain from the Continent of Europe and from America, coupled with the Prospect of an early and abundant Harvest, caused a sudden Fall in Price to about 60*s.*, with a corresponding Decline in Indian Corn. The Failure of most of the Corn Speculators followed this great Reduction in Price, and their Failure caused the Stoppage of an eminent Discount Broker having a large Country Connexion. This latter Failure, by closing one of the principal channels of Discount between the Country and London, caused Distrust to extend into the Country. Credit became affected by these Failures, and several London Firms of high Standing also failed. Then followed in rapid Succession the Failure of the Royal Bank of Liverpool, the Liverpool Banking Company, the North and South Wales Banking Company, some private Country Banks, and the Union Bank of Newcastle, followed by a tremendous Run upon the Northumberland and Durham District Bank. To these Disasters succeeded Alarm, and an almost total Prostration of Credit. The London Bankers and Discount Brokers refused to grant the usual Accommodation to their Customers, and necessarily obliged every one requiring Assistance to resort to the Bank of England. Money was hoarded to a considerable Extent, so much so that notwithstanding the Notes and Coin issued to the Public in October exceeded by 4,000,000*l.* or 5,000,000*l.* the Amount with the Public in August, still the general Complaint was of a Scarcity of Money. Credit was so entirely destroyed that Houses trading to distant Countries carrying on their Business through the Means of Credit, by a Renewal of their Acceptances as they became due, were no longer able to meet their Engagements, and were forced to stop Payment. This was the State of Things previous to the issuing of the Government Letter in October."

" There are about Thirty-three Houses, comparatively speaking large Houses, which have failed in London; they failed to the Amount of 8,129,000*l.* The first Seven are expected to pay in full; of the other Houses there is one expected to pay 5*s.* 6*d.*, another 5*s.* 6*d.*, another 6*s.* 6*d.*, another 9*s.*, another 11*s.*, another 12*s.*, another 8*s.*, another 3*s.*, another 5*s.*, &c. The Result is, that with respect to a large Majority of those Houses no Assistance would have been sufficient to carry them through those Difficulties. Morris and Prescott. 112.

" Is the average above 12*s.*?—With the Exception of the first Seven, which are expected to pay in full, it is believed that the Average will not be more than 6*s.* 8*d.* in the Pound." 113.

Mr. Horsley Palmer, who had received a signal Mark of Confidence from the Bank of England, in his Re-election to the Office of Governor, in order to facilitate his Negotiation of the Renewal of the Charter in 1833, has given the following Testimony;—

" I consider the Distress of the Year 1847 to have arisen from the deficient Harvest of 1846, and the Failure of the Potato Crop of that Year, which rendered necessary a very large Importation of Foreign Grain. Consequent upon the Arrangements made for that Import, the Exchanges with the Continent and America rapidly declined, and between the Months of December 1846 and April 1847, the Demand made upon the Bank in their Banking Department reduced the Reserve from Nine and a Half Millions in December to Three Millions in April; the last Two and a Half Millions of which Reduction took place between the 27th of March and the 17th of April. In consequence of that sudden Reduction the Bank was compelled under the Act of 1844 forcibly to contract, in order to regain its Position, and which forced Proceeding caused a very severe Pressure for the Time upon the Money Market. Shortly after that Period it transpired that Speculations for the Import of Grain had been carried far beyond the Power of the Houses engaged in them to support, added to which the Quantities imported in the Months of May, June, and July occasioned a fall in the Price of Wheat from 110*s.* per Quarter to 60*s.*; and even below that Value. This Fall in the Price of Grain occasioned Failures to a considerable Extent in the Corn Trade, which engendered a material Discredit in that and other Branches of Commerce. Subsequently to those Events came the Suspension of almost all the Firms engaged in the Trade with the Mauritius, which was followed by a general 684.

Sect. I. *Causes and Extent of Distress of* 1847.

Discredit, principally affecting the Houses connected with India, particularly those most largely engaged in the Export of British Manufactures. These extensive Suspensions caused a general Discredit, and an Abstraction of Bank Notes and Coin from Circulation to a very material Amount, thereby creating a largely increased Demand upon the Reserve of the Bank, which under the Act of 1844 it was found most difficult and indeed impossible to sustain, the Amount of the Reserve having been reduced on the 23d of October to Two Millions, including London and the Branch Banks. Thus situated, notwithstanding the Bank had advanced the Rate of Interest in August, September, and October to Five and a Half, Six, Seven, and even Nine per Cent. per Annum, the Demand continued to increase until the 25th of October, when Relief was afforded by withdrawing the restrictive Clause of the Act of 1844, and by which the Pressure was immediately relieved, and Credit has since been gradually restored. During the whole Period, from the Middle of April to the Day of withdrawing the restrictive Clause in the Act of 1844, the Foreign Exchanges were in favour of this Country."

Mr. Samuel Gurney, the Head of the House of Overend and Co., Bill Brokers, whose Experience in Money Affairs is universally known and acknowledged, gives the following Description of the Events of 1847.

1098. "The Crisis in April 1847 arose from several Causes. The Failure of the Potato Crop and Harvest of 1846, leading to an enormous Importation of Food coming upon an excited State of Price and Transaction, aided by the Bank canvassing for Discount, and fomenting Transactions, under the new Principle that in the Banking Department they are to act on the same Principle as private Bankers, may be considered as the Causes of that Crisis. These led to an Extent of Demand upon the Bank for Discount and otherwise, the yielding to which led them beyond the Bounds of Prudence, seeing the early Payment of the Dividends was at hand. Under the Currency Act they found themselves under the Necessity suddenly of not only withdrawing their usual Accommodation by way of Discount, but of calling in with a severe and unrelenting Hand the Loans they had made upon the Security of Bills, Exchequer Bills, &c. The Suddenness and Severity of this Change was forced upon the Bank by the Currency Act. Had it not been for that, they would have spread over Months what they felt themselves compelled to do in a few Days, to the serious Derangement of the Money Market, and to much alarming Disaster. It is queried, Was this Crisis owing to the Currency Act? I think it cannot be fairly laid to the Act only, but to the Causes before specified. It may, however, with Truth be asserted, that the Force of it and the Evils of it were much aggravated by the Effect of this Act, in the Course of Action it forced upon the Bank."

Mr. G. C. Glyn, M.P., a leading London Banker, and as such having an extended Country Correspondence and Connexion, was also examined by the Committee. This Witness had been frequently examined before both Houses of Parliament on similar Subjects, and his Experience as a practical Banker gives peculiar Weight to his Opinions. His Evidence was as follows:—

1648. "I consider that the Pressure which occurred in April 1847 arose principally from the large Importation of Corn and other necessary Articles of Food, and I consider also that the Foreign Exchanges having been affected by the Operation of those Causes, the Pressure in point of fact was necessary, and was carried only to the Extent which was required for the proper Re-adjustment of the Foreign Exchanges. The Foreign Exchanges were re-adjusted, and in the course of the Autumn set strongly in favour of this Country. The Harvest turning out very good in the Months of August and September large Failures occurred amongst the Speculators in Corn. Those were the first Occurrences of that Description that took place in this Country; subsequently they were followed by large Failures of other mercantile Houses. That went on down to the End of September, the Pressure gradually increasing, but not to the Degree which it arrived at in the Course of the following Month, when there was superadded to all those Causes which had been operating

operating before, a great Degree of Discredit and Want of Confidence throughout the Country, which was very much increased by the Failure of Banks in Liverpool and in other Parts of the Country, and during the Week ending the 23d of October by a general Distrust that seemed to operate amongst nearly all mercantile Classes, and was rapidly extending itself to the Banking Establishments throughout the Country, very much resembling, in point of fact, at that Time, what occurred in the Year 1825. The other Symptoms of 1847 had been entirely dissimilar up to the Middle of October 1847; but in the last Week before the Issue of the Government Letter the Symptoms of Want of Confidence which presented themselves were very much like those which occurred at the End of 1825. There appeared a Want of Confidence in the Country generally, which caused Country Bankers to look for the Assistance of their London Correspondents, and which apparently, if it had not been for the Letter of the Government, would have gone to a very great Extent. In point of fact, the Difference between the Two Periods of April and of October was extremely striking. The Pressure of April was very soon over, and the Bank did everything within its Power for the mercantile Body at the Time. Although they had been obliged to restrict their Operations very much, yet they attended to the Applications made to them, particularly those from Liverpool and some other Places. But the Pressure that occurred in October last arose apparently from entirely different Causes. It proceeded from an Apprehension on the Part of all mercantile Men that the Want of Confidence was becoming so great that at last the Reserves of the Bank would be driven down so very low, that, in point of fact, Persons who were possessed of Property would not be able to convert that Property into Bank of England Notes."

The Committee also examined Mr. Geo. W. Norman, a Director of the Bank of England, a Witness friendly to the Act of 1844, and one who is unwilling that any Alteration should take place in its Provisions. He was asked (2680) what were the Causes of the Pressure on Commerce in the Spring and Autumn of 1847? and his Reply was to the following Effect:—

" I consider that the Causes which produced the Pressure upon Commerce in the Spring of last Year and in the Autumn were the Potato Disease and the Failure of other Crops, the vast Absorption of Capital arising from the Railways, and considerable over-trading in some Branches of Commerce." 2680.

Mr. Norman added, that he believed that the Value of Foreign Corn imported amounted to 30,000,000*l.*, for which Payment must necessarily be provided. 2774. Mr. Cotton, who, as well as Mr. Horsley Palmer, had twice been elected Governor of the Bank, and from the same Motive, while he considers the Distress to have been " greatly exaggerated " (8192), and " nothing equal to what existed in 1825 and 1839," fewer Banks and solvent Houses having in his Judgment suspended Payment, adds,—

" My Impression is, that there never was a Time when many Parties had engaged in Operations so much beyond what they ought to have done with reference to their Capital as in the Year 1847. Considering what occurred in 1847,—the very large Payments for Food, the Failures in the Corn Trade, the Amount of Calls for Capital for Railways, and also the Failure of the India and other Houses, and the Exposure of the very small Amount of real Capital, and in many Cases minus Capital, under which they carried on a large Amount of Business,—I think we might have expected many more solvent Houses to have failed. There was a very large, and I think indiscreet, Extension of Trade beyond the Capital the Parties had to carry it on, in the Corn Trade, in consequence of the Profits which had resulted from the first Importations of Corn. In the India Trade there was a larger Extent of Trade carried on than was justified by the Amount of Capital, and which had been supplied by renewing Bills. There was also a very large Amount, far beyond what the Parties were justified in appropriating, on fixed Securities in the Mauritius Trade. After the Failure of One or Two Houses it appeared that Credit had been stretched to a most unreasonable Extent, larger than I ever recollect." 3194.

Sect. I. *Causes and Extent of Distress of* 1847.

The great Majority of the Witnesses do not concur in Mr. Cotton's Opinion, but unite in representing the Intensity of the Pressure as more severe than the Distress of 1837 and 1839; many even consider it to have been greater than that of the Year of Panic 1825. The Committee extract the following Evidence to this Effect:—

Palmer, 679-681. "Has the Distress and Pressure upon the Public been greater or less during the last Year than in any preceding Cases to which you have alluded?—I think it was greater during Part of the Year 1847 than ever I remember.

"With greater Damage to Commercial Credit and Fortunes than on any other Occasion?—I should say certainly.

"Do you apply that Observation to the Country generally, or to London?—I apply it to the whole Country, especially to all the Commercial Parts of the Country."

Mr. Gurney's Opinion on this Subject is equally distinct and decided,—

1238. "Are there, in the History of the Money Transactions of this or of any other Country, Circumstances that can be at all compared to those that have taken place in this Country in the last Twenty Months?—I think that the Catastrophes of last Autumn were beyond all Parallel in our Monetary History, as far as I know."

Mr. George Norman concludes that in 1837 and 1839 the Causes of Pressure were much less extreme than in the Year 1847. In 1839 there was but little Insolvency of any Kind. In 1837 there was, as well as the Witness recollected, no considerable Insolvency except in the American Trade. In 1847, on the contrary, he stated (2702) that "every one seemed afraid of his Neighbour;" and, in the Opinion of Mr. Tooke, the Time was approaching when "nobody would pay anybody." Another Witness, Mr. Lister, states, "There was a Panic through the Country; People thought they were in an Iron Cage, and could not get out of it: that Iron Cage was the Act of 1844."

On the other hand, it is right to observe, that some Witnesses represent the Pressure in 1847 to have been less severe than at several former Periods.

The Governor and Deputy Governor of the Bank, in the following Questions, state their Impressions to this Effect, and as regards the comparative Consequences of the Commercial Distress in different Years.

95. "You said that you thought that the Act of 1844 had worked extremely well to secure the Convertibility of the Notes; do you apprehend that there would have been any Danger of the Notes of the Bank of England not being convertible if it had not passed?—I think they would have been in Danger. On One or Two previous Occasions I think they were in Danger,—in 1825 and in 1839.

96. "And you think that they would have been in Danger now but for this Act?—They might have been.

"*Mr. Prescott.*—I agree with the Governor. I think that the Pressure was not so great in 1839 as it was in 1847, and therefore that the Danger in 1847 would have been greater but for this Act.

97. "Was not the Pressure this Year greater than you have ever witnessed?—My own Experience scarcely carries me back to 1825, but I should conceive that the Pressure in One or Two Weeks in 1825 was greater than in 1847.

"*Mr. Morris.*—I believe that the Pressure probably has been greater in London and in Lancashire, and probably in other Places, but I doubt whether the Pressure generally throughout the Country has been so great as it was at the former Periods.

98. "Do you consider that Circumstance at all attributable to the Action of the Act of 1844 upon the private Bankers in the Country?—I consider that the Action of the Act of 1844 upon the private Bankers in the Country must have been of the greatest possible Benefit.

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by the Failures in the Corn Trade. The Price of Wheat had risen to about 120 *s.* Large Arrivals of Grain from the Continent of Europe and from America, coupled with the Prospect of an early and abundant Harvest, caused a sudden Fall in Price to about 60 *s.*, with a corresponding Decline in Indian Corn. The Failure of most of the Corn Speculators followed this great Reduction in Price, and their Failure caused the Stoppage of an eminent Discount Broker having a large Country Connexion. This latter Failure, by closing one of the principal Channels of Discount between the Country and London, caused Distrust to extend into the Country. Credit became affected by these Failures, and several London Firms of high Standing also failed. Then followed in rapid Succession the Failure of the Royal Bank of Liverpool, the Liverpool Banking Company, the North and South Wales Banking Company, some private Country Banks, and the Union Bank of Newcastle, followed by a tremendous Run upon the Northumberland and Durham District Bank. To these Disasters succeeded Alarm, and an almost total Prostration of Credit. The London Bankers and Discount Brokers refused to grant the usual Accommodation to their Customers, and necessarily obliged every one requiring Assistance to resort to the Bank of England. Money was hoarded to a considerable Extent, so much so that notwithstanding the Notes and Coin issued to the Public in October exceeded by 4,000,000 *l.* or 5,000,000 *l.* the Amount with the Public in August, still the general Complaint was of a Scarcity of Money. Credit was so entirely destroyed that Houses trading to distant Countries carrying on their Business through the Means of Credit, by a Renewal of their Acceptances as they became due, were no longer able to meet their Engagements, and were forced to stop Payment. This was the State of Things previous to the issuing of the Government Letter in October."

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Discredit, principally affecting the Houses connected with India, particularly those most largely engaged in the Export of British Manufactures. These extensive Suspensions caused a general Discredit, and an Abstraction of Bank Notes and Coin from Circulation to a very material Amount, thereby creating a largely increased Demand upon the Reserve of the Bank, which under the Act of 1844 it was found most difficult and indeed impossible to sustain, the Amount of the Reserve having been reduced on the 23d of October to Two Millions, including London and the Branch Banks. Thus situated, notwithstanding the Bank had advanced the Rate of Interest in August, September, and October to Five and a Half, Six, Seven, and even Nine per Cent. per Annum, the Demand continued to increase until the 25th of October, when Relief was afforded by withdrawing the restrictive Clause of the Act of 1844, and by which the Pressure was immediately relieved, and Credit has since been gradually restored. During the whole Period, from the Middle of April to the Day of withdrawing the restrictive Clause in the Act of 1844, the Foreign Exchanges were in favour of this Country."

Mr. Samuel Gurney, the Head of the House of Overend & Co., Bill Brokers, whose Experience in Money Affairs is universally known and acknowledged, gives the following Description of the Events of 1847.

1098. "The Crisis in April 1847 arose from several Causes. The Failure of the Potato Crop and Harvest of 1846, leading to an enormous Importation of Food coming upon an excited State of Price and Transaction, aided by the Bank canvassing for Discount, and fomenting Transactions, under the new Principle that in the Banking Department they are to act on the same Principle as private Bankers, may be considered as the Causes of that Crisis. These led to an Extent of Demand upon the Bank for Discount and otherwise, the yielding to which led them beyond the Bounds of Prudence, seeing the early Payment of the Dividends was at hand. Under the Currency Act they found themselves under the Necessity suddenly of not only withdrawing their usual Accommodation by way of Discount, but of calling in with a severe and unrelenting Hand the Loans they had made upon the Security of Bills, Exchequer Bills, &c. The Suddenness and Severity of this Change was forced upon the Bank by the Currency Act. Had it not been for that, they would have spread over Months what they felt themselves compelled to do in a few Days, to the serious Derangement of the Money Market, and to much alarming Disaster. It is queried, Was this Crisis owing to the Currency Act? I think it cannot be fairly laid to the Act only, but to the Causes before specified. It may, however, with Truth be asserted, that the Force of it and the Evils of it were much aggravated by the Effect of this Act, in the Course of Action it forced upon the Bank."

Mr. G. C. Glyn, M. P., a leading London Banker, and as such having an extended Country Correspondence and Connexion, was also examined by the Committee. This Witness had been frequently examined before both Houses of Parliament on similar Subjects, and his Experience as a practical Banker gives peculiar Weight to his Opinions. His Evidence was as follows:—

1648. "I consider that the Pressure which occurred in April 1847 arose principally from the large Importation of Corn and other necessary Articles of Food, and I consider also that the Foreign Exchanges having been affected by the Operation of those Causes, the Pressure in point of fact was necessary, and was carried only to the Extent which was required for the proper Re-adjustment of the Foreign Exchanges. The Foreign Exchanges were re-adjusted, and in the course of the Autumn set strongly in favour of this Country. The Harvest turning out very good in the Months of August and September large Failures occurred amongst the Speculators in Corn. Those were the first Occurrences of that Description that took place in this Country; subsequently they were followed by large Failures of other mercantile Houses. That went on down to the End of September, the Pressure gradually increasing, but not to the Degree which it arrived at in the Course of the following Month, when there was superadded to all those Causes which had been operating

operating before, a great Degree of Discredit and Want of Confidence throughout the Country, which was very much increased by the Failure of Banks in Liverpool and in other Parts of the Country, and during the Week ending the 23d of October by a general Distrust that seemed to operate amongst nearly all mercantile Classes, and was rapidly extending itself to the Banking Establishments throughout the Country, very much resembling, in point of fact, at that Time, what occurred in the Year 1825. The other Symptoms of 1847 had been entirely dissimilar up to the Middle of October 1847; but in the last Week before the Issue of the Government Letter the Symptoms of Want of Confidence which presented themselves were very much like those which occurred at the End of 1825. There appeared a Want of Confidence in the Country generally, which caused Country Bankers to look for the Assistance of their London Correspondents, and which apparently, if it had not been for the Letter of the Government, would have gone to a very great Extent. In point of fact, the Difference between the Two Periods of April and of October was extremely striking. The Pressure of April was very soon over, and the Bank did every thing within its Power for the Mercantile Body at the Time. Although they had been obliged to restrict their Operations very much, yet they attended to the Applications made to them, particularly those from Liverpool and some other Places. But the Pressure that occurred in October last arose apparently from entirely different Causes. It proceeded from an Apprehension on the Part of all mercantile Men that the Want of Confidence was becoming so great that at last the Reserves of the Bank would be driven down so very low, that, in point of fact, Persons who were possessed of Property would not be able to convert that Property into Bank of England Notes."

The Committee also examined Mr. Geo. W. Norman, a Director of the Bank of England, a Witness friendly to the Act of 1844, and one who is unwilling that any Alteration should take place in its Provisions. He was asked (2680) what were the Causes of the Pressure on Commerce in the Spring and Autumn of 1847? and his Reply was to the following Effect:

"I consider that the Causes which produced the Pressure upon Commerce in the Spring of last Year and in the Autumn were the Potato Disease and the Failure of other Crops, the vast Absorption of Capital arising from the Railways, and considerable over-trading in some Branches of Commerce." 2680.

Mr. Norman added, that he believed that the Value of Foreign Corn imported amounted to 30,000,000*l.*, for which Payment must necessarily be provided. Mr. Cotton, who, as well as Mr. Horsley Palmer, had twice been elected Governor of the Bank, and from the same Motive, whilst he considers the Distress to have been "greatly exaggerated" (8192), and "nothing equal to what existed in 1825 and 1839," fewer Banks and solvent Houses having in his Judgment suspended Payment, adds— 2774.

"My Impression is, that there never was a Time when many Parties had engaged in Operations so much beyond what they ought to have done with reference to their Capital as in the Year 1847. Considering what occurred in 1847,—the very large Payments for Food, the Failures in the Corn Trade, the Amount of Calls for Capital for Railways, and also the Failure of the India and other Houses, and the Exposure of the very small Amount of real Capital, and in many Cases minus Capital, under which they carried on a large Amount of Business,—I think we might have expected many more solvent Houses to have failed. There was a very large, and I think indiscreet, Extension of Trade beyond the Capital the Parties had to carry it on, in the Corn Trade, in consequence of the Profits which had resulted from the first Importations of Corn. In the India Trade there was a larger Extent of Trade carried on than was justified by the Amount of Capital, and which had been supplied by renewing Bills. There was also a very large Amount, far beyond what the Parties were justified in appropriating, on fixed Securities in the Mauritius Trade. After the Failure of One or Two Houses it appeared that Credit had been stretched to a most unreasonable Extent, larger than I ever recollect." 3194.

Sect. I. *Causes and Extent of Distress of* 1847.

The great Majority of the Witnesses do not concur in Mr. Cotton's Opinion, but unite in representing the Intensity of the Pressure as more severe than the Distress of 1837 and 1839; many even consider it to have been greater than that of the Year of Panic, 1825. The Committee extract the following Evidence to this Effect:

Palmer, 679-681. "Has the Distress and Pressure upon the Public been greateror less during the last Year than in any preceding Cases to which you have alluded?—I think it was greater during Part of the Year 1847 than ever I remember.

"With greater Damage to Commercial Credit and Fortunes than on any other Occasion?—I should say certainly.

"Do you apply that Observation to the Country generally, or to London?—I apply it to the whole Country, especially to all the Commercial Parts of the Country."

Mr. Gurney's Opinion on this Subject is equally distinct and decided,—

1238. "Are there, in the History of the Money Transactions of this or of any other Country, Circumstances that can be at all compared to thoset hat have taken place in this Country in the last Twenty Months?—I think that the Catastrophes of last Autumn were beyond all Parallel in our Monetary History, as far as I know."

Mr. George Norman concludes that in 1837 and 1839 the Causes of Pressure were much less extreme than in the Year 1847. In 1839 there was but little Insolvency of any Kind. In 1837 there was, as well as the Witness recollected, no considerable Insolvency except in the American Trade. In 1847, on the contrary, he stated (2702) that "every one seemed afraid of his Neighbour;" and, in the Opinion of Mr. Tooke, the Time was approaching when "nobody would pay anybody." Another Witness, Mr. Lister, states, "There was a Panic through the Country; People thought they were in an Iron Cage, and could not get out of it; that Iron Cage was the Act of 1844."

On the other hand, it is right to observe, that some Witnesses represent the Pressure in 1847 to have been less severe than at several former Periods.

The Governor and Deputy Governor of the Bank, in the following Questions, state their Impressions to this Effect, and as regards the comparative Consequences of the Commercial Distress in different Years.

95. "You said that you thought that the Act of 1844 had worked extremely well to secure the Convertibility of the Notes; do you apprehend that there would have been any Danger of the Notes of the Bank of England not being convertible if it had not passed?—I think they would have been in Danger. On One or Two previous Occasions I think they were in Danger,—in 1825 and in 1839.

96. "And you think that they would have been in Danger now but for this Act?—They might have been.

"*Mr. Prescott.*—I agree with the Governor. I think that the Pressure was not so great in 1839 as it was in 1847, and therefore that the Danger in 1847 would have been greater but for this Act.

97. "Was not the Pressure this Year greater than you have ever witnessed?—My own Experience scarcely carries me back to 1825, but I should conceive that the Pressure in One or Two Weeks in 1825 was greater than in 1847.

"*Mr. Morris.*—I believe that the Pressure probably has been greater in London and in Lancashire, and probably in other Places, but I doubt whether the Pressure generally throughout the Country has been so great as it was at the former Periods.

98. "Do you consider that Circumstance at all attributable to the Action of the Act of 1844 upon the private Bankers in the Country?—I consider that the Action of the Act of 1844 upon the private Bankers in the Country must have been of the greatest possible Benefit.

"And

" And to have preserved the Country from the Failures of Country Banks which took place in 1825?—To have preserved the Country from the Misfortunes fallen into in 1825."

104. " Assuming that the Pressure in 1847 has been more severe upon the Commercial World in London than upon previous Occasions within your Knowledge, should you say, considering the Distance at which we have now arrived from the Period of Pressure itself, that the Recovery from it has been more rapid, and that there has been less subsequent Pressure, than upon former Occasions?—I think the Recovery from it has been much more rapid, but it is difficult to say when the Recovery has taken place.

105. " Without assuming at the present Moment that we have actually recovered from it, but looking at the Course of Affairs since October, should you say that there has been less severe Distress consequent upon the Panic than there has been upon previous Occasions?—I think that the Re-action has taken place sooner than it otherwise would have done."

109. " The Question is, not as to what would have happened if the Act of 1844 had not passed, but merely as to the Matter of Fact, whether the Distress and the Sacrifice of Capital, and the general Damage, both to the Commercial Character as well as the Credit of this Country, has not exceeded in the last Year any thing that in your Experience you ever witnessed?—I think in the Failure of large Houses it has exceeded, but whether it has as far as the whole Country is concerned I am not prepared to say. My impression is, that the Damage to the Country from the Panic of 1825 was greater and more general then than any which has taken place in 1847.

" *Mr. Prescott.*—I think as many as Sixty or Seventy Country Banks failed in the End of 1825, and now there has not been a Dozen."

And Mr. Jones Loyd will be found, in his Evidence, as follows, to express his Opinion more strongly as to the greater Intensity of the Pressure on several former Occasions than in 1847.

1426. " Within your Experience do you know any Time in which there was a greater Disturbance of Credit, so as to necessitate an Increase of the Reserves, than there was in that Month of October 1847?—I believe that the Disturbance of Credit was greater and more widely spread in 1825 than it was in 1847."

1496. " Do you suppose that any Evil can occur to a great commercial City greater than that which happened during the Year 1847 in the City of London, or that there ever were Instances in which so complete a Sacrifice of Property, and so complete an Impoverishment of commercial Capital, has taken place in any Country?—I have no Doubt that there existed much greater Pressure, and that the Evils alluded to in the Question occurred in a severer Form in this Country in 1783, in 1793, and in 1825. We are always apt to form an exaggerated Estimate of the present Evil. This is the Account given by Mr. Tooke of what took place in 1783: 'This Contraction of the Currency was attended with a great Rise in the Rate of Interest. Consols fell from Sixty-eight to Fifty-four. Omnium from a Premium of Eight per Cent. to below Par. Every one (says Chalmers) must remember how impossible it was to borrow Money on any Security for any Premium.' Then again, take 1793: 'Many Houses of the most established Credit failed. Houses of undoubted Solidity, possessing ample Funds, which actually did in a short Time enable them to pay every Shilling of their Debts, were obliged to stop Payment. Some Bankers who almost immediately on recovering from the first Panic resumed the Regularity of their Payments were obliged to make a Pause. Many whom the temporary Assistance of even a moderate Sum would have enabled to surmount their Difficulties could not obtain any Accommodation. Those who had any Money, not knowing where they could place it with Safety, kept it unemployed and locked up in their Coffers.' Such is the Account given in Macpherson's Annals of Commerce of the Pressure of 1793. It would be a most incorrect and exaggerated Account of the State of Things in 1847. Then again, as regards 1825, we have Lord Ashburton's Account of 1825, as given in Sir Robert Peel's Speech, which taken as a Description of 1847 would be a great Exaggeration."

Sect. I. *Causes and Extent of Distress of* 1847.

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Such is the Description of the Commercial World in 1847, given by well-informed Witnesses; and the Committee consider that a more alarming Picture of the Consequences of Panic and Discredit could not well be given. It must also be recollected that in some respects the Conjuncture was favourable. Had there been at this Time any domestic political Alarm, had there been any Foreign War, or any Speculations in Foreign Loans, or had the State of the Balances in the Exchequer been such as to render necessary large Advances from the Bank on Deficiency Bills, the Extent and Intensity of Suffering, great as they actually were, would have been rendered still more formidable. But from these Sources of Danger the Country was happily exempted. Still it is clear to your Committee that the Difficulties and Dangers of the Case were such as to require a Remedy, prompt, decisive, and effectual.

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Sect. II. *Treasury Letter, 25th Oct., and its Effects.*

That Remedy was sought and found in a Departure from the restrictive Principles of the Act of 1844, authorized by the following Letter of the First Lord of the Treasury and of the Chancellor of the Exchequer, dated the 25th of October.

"Gentlemen, Downing Street, 25th October 1847.

"Her Majesty's Government have seen with the deepest Regret the Pressure which has existed for some Weeks upon the commercial Interests of the Country, and that this Pressure has been aggravated by a Want of that Confidence which is necessary for carrying on the ordinary Dealings of Trade.

"They have been in hopes that the Check given to Transactions of a speculative Character, the Transfer of Capital from other Countries, the Influx of Bullion, and the Feeling which a Knowledge of these Circumstances might have been expected to produce, would have removed the prevailing Distrust.

"They were encouraged in this Expectation by the speedy Cessation of a similar State of Feeling in the Month of April last.

"These Hopes have, however, been disappointed, and Her Majesty's Government have come to the Conclusion that the Time has arrived when they ought to attempt, by some extraordinary and temporary Measure, to restore Confidence to the mercantile and manufacturing Community.

"For this Purpose, they recommend to the Directors of the Bank of England, in the present Emergency, to enlarge the Amount of their Discounts and Advances upon approved Security; but that, in order to retain this Operation within reasonable Limits, a high Rate of Interest should be charged.

"In present Circumstances, they would suggest that the Rate of Interest should not be less than Eight per Cent.

"If this Course should lead to any Infringement of the existing Law, Her Majesty's Government will be prepared to propose to Parliament, on its meeting, a Bill of Indemnity. They will rely upon the Discretion of the Directors to reduce as soon as possible the Amount of their Notes, if any extraordinary Issue should take place, within the Limits prescribed by Law.

"Her Majesty's Government are of opinion that any extra Profit derived from this Measure should be carried to the Account of the Public, but the precise Mode of doing so must be left to future Arrangement.

"Her Majesty's Government are not insensible of the Evil of any Departure from the Law which has placed the Currency of this Country upon a sound Basis; but they feel confident, that, in the present Circumstances, the Measure which they have proposed may be safely adopted, and at the same Time the main Provisions of that Law, and the vital Principle of preserving the Convertibility of the Bank Note, may be firmly maintained.

"We have the Honour to be,
Gentlemen,
Your obedient humble Servants,
(Signed) J. Russell.
Charles Wood.

"The Governor and Deputy Governor
of the Bank of England."

It

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It should be remembered that the Insertion of a Clause in the Bill of 1844, investing the Government with such a relaxing Power, had been discussed, and rejected. The Committee consider that the Step so taken by Her Majesty's Government, in the Exercise of such Authority, was wise and successful.

The House of Commons have resolved, during the present Session, "That in the peculiar Circumstances of the Period the Government were justified in this extraordinary Exercise of Power." But, in assuming the Responsibility of authorizing the Relaxation of the Act, the Government in fact "dispensed with the express Provisions of an Act of Parliament." The Interposition of the Treasury has been thus understood, and explained by many of the Witnesses. The Governor of the Bank considered that when once the Government Letter issued, the Bank was no longer responsible; he considered that he had Authority to "break through the Act." The "Responsibility of the Bank to provide for the Security of the Banking Department ceased after the 22d October." On the 23d it was intimated that the Government Letter was to be issued on the 25th; and it was understood that the Bank was to act on that Day (the 23d) according to the Spirit of the Government Letter. Consequently the Accommodation given on the 23d, was "given on that Understanding." Mr. Glyn observes, "the Letter of the Government stopped the Crisis, and abrogated the Act." Mr. Browne (2359) considers the Letter to have "virtually condemned and annulled the Act of 1844." Another Witness apprehends "that the Bank would have had to shut its Doors in a Week unless the Law had been violated."

28. 439. 1734. Lister, 2552. 3066. 3068.

On the other hand, Mr. Samuel Jones Loyd states his Opinion, that "although the Letter was a Departure from the positive Provisions of the Act, it was not a Departure from the principle of the Act." This is a Distinction which the Committee cannot recognize. The Force of the Enactment was clear and intelligible. The Treasury Letter authorized a Departure from that Principle, and even recognized the possible Necessity of applying to Parliament for Indemnity. A Sanction was thus given to a Course unwarranted by Law. No Issue, it is true, was made beyond the Powers of the Act of 1844; but that Issue, if it had been made, was authorized by the Letter of the Government; and, practically, the Consequences were precisely the same as if the Bank had made such Issue. Mr. Loyd states (1500), that the "Bank did nothing under the Letter; the Amount of Notes with the Public was not increased; that Power was not exercised." The Letter was nevertheless actively and powerfully operative. "The Issue of the Letter to a considerable Degree relieved the Money Market," observes Mr. Norman, "by holding out to Persons the Certainty that they might get Accommodation, whereas before they feared that they should not." The Amount of Notes hoarded by Bankers and Commercial Men was at once released. These Notes have been estimated by Mr. S. Gurney at about 4,000,000 *l.*; and this acted as effectually as if an additional Issue on Securities had been made by the Bank.

1483. 2711. Cotton, 3262.

This Effect is well described in the following Extract from the Evidence of Mr. Glyn.

"It produced the same Effect as if the Bank of England had made an Issue; because it brought out the Hoards of Notes, and they went into Circulation. It thereby added to the Circulation of the Country, and it removed the Cause of the Panic, which is stated to have arisen from the Act of 1844. 1736–1739.

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"Looking at the State of the Reserve after the Letter of the Government came on the 23d of October, through October, November, and December, and seeing that the Reserve constantly rose, and that at the same Time the Bullion rose with it, did not that favourable Turn in the Affairs of the Bank, and in the Facility of the Circulation of the Country, arise from the Act of 1844 being set aside by the Letter of the Government?—I consider that the Letter of the Government of the 25th of October having in effect got rid of the Clause in the Act of 1844 which limits the Amount of the Circulation to 14,000,000 *l.*, produced the Effect alluded to."

The salutary Consequences of this Step were recognized gratefully by almost every Witness, even by those most favourable to the Act of 1844.

198. "All Alarm appeared to have ceased on the Issue of the Letter," observes
260. the Governor of the Bank; and subsequently he adds, "what restored Confidence was the Letter of the Government, allowing the Bank to make any Advances without reference to the Act, at a given Rate of Interest. We did not so much want the Money, but we wanted a Certainty that if we did
698. want it we should get it." The Opinion of Mr. Horsley Palmer is equally decisive. "In Autumn of 1847 the Demand for Assistance was so much increased as to place the Bank in imminent Danger by granting it, and which nothing could have relieved short of the Relaxation of the Law which took place." Mr. Samuel Gurney illustrates this Statement by his own Case. He observes,—

1120. "We required about 200,000 *l.*, and had it at Nine per Cent. On the Monday Morning we had again a very heavy Demand upon us; and we applied to the Governor, and said, that to supply Lombard Street with what was wanted we should require 200,000 *l.* more. It was a Case of Difficulty for the Bank under its reduced Reserve, and under the Limitation of the Act. The Governor postponed a Decision on our Application to Two o'Clock. At One o'Clock, however, the Letter from the Government authorizing Relaxation was announced. The Effect was immediate. Those who had sent Notice for their Money in the Morning sent us Word that they did not want it, that they only ordered Payment by way of Precaution. And after the Notice we only required about 100,000 *l.* instead of 200,000 *l.* From that Day we had a Market of comparative Ease. The Alarm lessened; and by the End of the Week we had to ask as a Favour of the Bank to be allowed to repay the Money which we had borrowed of them."

Nor was this immediate and effectual Relief confined to the Metropolis. As the Pressure had been general, so likewise was the Relief. The Committee have had a Letter given in Evidence, from which the following Extract will strikingly exemplify the Effects of the Government Interference as felt in the great commercial Town of Liverpool.

2080. "The State of Things immediately previous to the Promulgation of the Government Letter of 25th October was perfectly fearful, and, I believe, without Precedent in the Commercial History of this Country. Bills of Exchange of the first Quality in themselves, and to which this and other Banks were willing to add their Endorsement, were absolutely inconvertible into Cash; and it is my firm Belief that many Houses, who were not merely solvent but able to pay 40 *s.* and 60 *s.* in the Pound, must have stopped had the Government Letter not been issued. Immediately on the Issue of that Letter the whole Difficulty was removed. Not only were our Bills available at the Bank of England, but with all the Discount Brokers; they were, I may say, eagerly sought for by the Country Banks, and by private monied Parties seeking for Investments, at even lower Rates than the Branch Bank of England here were willing to discount at. This showed, beyond Dispute, I think, that the Scarcity of Money was artificial, not real, and that the Panic was a moral one, caused by the mischievous and whimsical Provisions of the Bank Act of 1844, and not by Want of Confidence in the Securities (the Bills of Exchange) themselves, for

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for the Securities remained of course precisely the same after the 25th October as before that Date. I have no Hesitation in stating that, in my Opinion, the Letter of 25th October virtually annulled the Bill of 1844, and saved the Country from an almost universal Stoppage of Payments, in which the Banking Department of the Bank of England would have been included."

It should not be forgotten that the Recommendation of the Treasury, though imposing the Condition of a minimum Rate of Interest of Eight per Cent., was wholly unrestricted as to the Amount of Advances authorized. Unless it had been so unrestricted in Amount, it would probably have failed. It placed the Bank, so far as the Authority of the Government could do so, in the Position in which it would have stood if the Restrictions of the Act of 1844 had never been enacted, or had been repealed. "The remedial Character of the Measure," observes Mr. Loyd, "was not the discounting at Eight per Cent., but the Declaration to the Public that, at Eight per Cent. Interest, there was an unlimited Supply of Bank Notes at their Command. The Bank could not possibly make that Offer without the Sanction of the Government." It was the Knowledge on the Part of the Public, that there was actually the "Power given to the Bank to advance any Quantity of Notes without Limit 1532.
that produced the Effect. Without the Authority of the Government the Bank could not have produced that Confidence."

It is true that the Governor and Deputy Governor of the Bank are inclined to think that the Letter of the 25th October might have been dispensed with, so far as they were concerned, and that the Bank of England might have been placed in a Position of Safety by precautionary Measures; and a Resolution was entered into, on the 25th October, by the Court of Directors, expressing an Opinion "that no Deviation from the Provisions of the Act of 1844 40.
regulating the Currency was required in consequence of any Difficulties on the Part of 'the Bank;' but that they consented to the Measure recommended by Her Majesty's Government on the Grounds of public Necessity urged by the First Lord of the Treasury and the Chancellor of the Exchequer." It becomes therefore essential to consider the actual State of the Bank of England at that Time, to ascertain whether that was a State of Safety or not, and whether any remedial or precautionary Measures have been suggested, which, by rendering the Bank secure, would have made the Suspension of the Law by the Authority of the Government unnecessary; for unless a Step involving such extraordinary Responsibility and so undisguised a Departure from the Law were indispensable, it could not be justifiable. Its absolute Necessity was its sole Justification.

The State of the Bank Reserve on the 23d October is shown to have been as follows:—

DATE.	RESERVE.		LONDON.		COUNTRY.	
1847:		£		£		£
Oct. 23.	Notes -	1,547,276	Notes - -	981,615	Notes - -	565,655
	Coin - -	447,240	Gold Coin -	209,844	Gold Coin -	78,399
			Silver Coin -	104,045	Silver Coin -	54,958
		£ 1,994,516		1,295,504		£ 699,012
			Country -	699,012		
				£ 1,994,516		

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But on the 23d October it had been intimated that the Government Letter was to be issued on the 25th, and it was understood that the Bank was to act on the 23d according to the Spirit of that Government Letter. The Accommodation given in consequence on the 23d October was on that Understanding, and the Reserve was necessarily to some Extent diminished. On the 30th October the Account stood as follows:

DATE.	RESERVE.		LONDON.		COUNTRY.	
1847:		£		£		£
Oct. 30.	Notes -	1,176,740	Notes - -	568,470	Notes - -	608,270
	Coin - -	429,384	Gold Coin -	151,053	Gold Coin -	119,554
		£ 1,606,124	Silver Coin -	105,787	Silver Coin -	52,990
				825,310		£ 780,814
			Country -	780,814		
				£ 1,606,124		

Thus the Reserve of Notes, which had been 2,630,000 *l.* on the 16th October, had fallen on the 23d to 1,547,000 *l.*, and to 1,176,000 *l.* on the 30th October, having decreased nearly 1,500,000 *l.* within the short Space of Fourteen Days. At this last Period, of the total Reserve of Notes, amounting to 1,176,740 *l.*, no more than 568,470 *l.* was held in London, making, with the Gold Coin in the Banking Department, 719,523 *l.* At the same Time, the private Deposits for which the Bank was responsible amounted to 8,580,000 *l.*,
703. independently of upwards of 4,766,000 *l.* of Government Deposits. The total Deposits on the 30th October were 14,500,000 *l.*; the Deposits of the London Bankers being more than 2,000,000 *l.* at the same Time. In reference to this State of Things the following important Evidence was given by the Governor and Deputy Governor of the Bank of England.

21-23. "You had only 1,600,000 *l.* in the Banking Department for the Payment of your Liabilities?—Yes.

"If any body had called upon you for any thing beyond that Million and a Half you must have stopped Payment?—Yes, we must.

"At that Time if there had been no Separation between the Two Departments, and the Bank of England had been conducted on its old Principle, instead of being within One Million and a Half of stopping, there would have been very nearly 8,500,000 *l.* of Treasure in your Vaults?—We should have had 8,500,000 *l.* in our Vaults."

It is, however, right to add, that the same Witnesses state that they could not admit that the Bank was in any Danger of suspending its Payments.
38. "We should not have been able to give the same Extent of Accommodation that Parties were requiring of us. We might have put into account a considerable Sum by selling Consols. We had going off weekly Bills to the Extent of 1,500,000 *l.*; so that by discounting even at the Rate of 100,000 *l.* a
38. Day to give the Public some Accommodation, our Reserve would still have increased at the Rate of 900,000 *l.* a Week. It is certain that in a very short Period we should have had as large a Reserve as would be necessary for our Purposes, and therefore the Bank was never at any Period in jeopardy."

The Correctness of this Conclusion, however, depends on the Practicability of the remedial Measures recommended; namely, first, the Sale of Stock, and secondly, the Limitation of Discounts. A further Question also remains, assuming

assuming these Measures to have been practicable and successful, for the Security of the Bank, in the first instance, whether their Consequences would not have been ruinous both to public and private Credit, and ultimately fatal to the Bank of England itself. These Questions the Committee now proceed to consider.

1. *Sale of Consols.*—At the End of October it appears from the Statement of the Governor of the Bank, that the Amount of Stock held in Consols and Reduced was from Two Millions to Two Millions and a Half; the Remainder of the public Securities held was the Dead Weight, being Annuities for Terms of Years, which are not always so easily disposed of. The Governor considered that the Bank might easily have availed itself of Two Millions of Three per Cents. But this Stock, even if it could have been sold to that Extent, would not have strengthened the Reserve to the Extent of Amount sold. On this Point the same Witness gives the following important Information: 84. 85.

"Will you state what Effect you conceive would have been produced upon your Deposits if you had proceeded at that Time to sell Securities to any considerable Extent?—My Impression is, that supposing we had sold Securities to the Extent of about Two Millions it is probable that the Deposits might have been affected to the Extent of about One Million, so that by selling Two Millions of Securities we might have strengthened the Reserve by about One Million." 212–216.

"The Reason why it would have the Effect of reducing the Deposits is, that the Act of selling Securities would naturally make Securities cheaper, and Parties having Deposits at the Bank might be induced to employ a Portion of their Deposits in the Purchase of Securities in consequence of Securities being cheaper." 216.

"If we had sold to the Extent of Two Millions it might have affected us to the Extent of One Million. But I think we may assume that Money upon the Stock Exchange is, generally speaking, cheaper than it is elsewhere; the Consequence is, that we might take Money out of the Stock Exchange without its generally affecting the Country for some little Period, and, therefore, the Action of drawing out the Deposits might not be so rapid as would otherwise be the Case." 219.

But this is strongly controverted by many of the most intelligent Witnesses, who doubt whether Securities to this Amount could have been found saleable at all, at the Period referred to, except to an enormous Loss. Mr. Horsley Palmer was asked,

"What would have been the Difficulty of effecting Sales of Securities?—The Difficulty would have been in finding Bank Notes to pay for them. I think the Governor did try to sell a small Amount of Funded Property at a Reduction of Two or Three per Cent. about the 21st of October; but it would have been quite impossible in the State of public Feeling that then existed to have gone into the Market with a Million or a Million and a Half of Securities, and have found Bank Notes for them." 707. 708.

"Would it not have been attended with great Distress to many Parties?—Unless the Prices had been forced down to Sixty or Sixty-five, or some enormous Reduction, Bank Notes could not have been procured."

It should be borne in Mind, in reference to this Evidence, that the Witness examined is a leading Director of the Bank of England, and one who was specially conversant with all the Events of 1837 and 1839, with the Extent and Resources of the Bank, and the Possibility of making these Resources available at a Time of Commercial Pressure. This Opinion was carried still further in his subsequent Examination, which was as follows:

"Supposing that in the Month of October, when the Reserve of the Bank was low, and when the Public were aware that the Reserve was low, the Bank had 821. 822.

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had proceeded to sell Stock to the Amount of 2,000,000 *l.*, do you think that would have had any material Effect upon the Funds or not?—I think it would have forced the Price of Three per Cents to Sixty. There is no Price that I can name that they might not have fallen to. If any violent Measure of that Sort had been taken, no one can say what might have been the Consequence. I do not believe that the Bank could have got Two Millions Sterling of Notes by selling Stock towards the Middle and End of October."

This Conclusion is borne out and fully confirmed by the Evidence of Mr. Glyn at a subsequent Period. Mr. Glyn may be taken as a fair Representative of the London Bankers, and as giving the Result of Thirty Years of Experience in the Money Market.

1865. 1866. "You said that it would not have been possible for the Bank to sell Stock to any great Amount at the Period of Panic?—I believe not. On the 23d of October 200,000 *l.* was sold with some Difficulty.

"Are you aware that it was the Opinion of the Bank Broker that a very large Sum might have been sold without materially affecting the Price of Stocks?—I was not aware that the Bank Broker had stated that. I should say, from what I saw at the Time, that the Sale of a Million or Two Millions, which were the Figures talked of, would have been almost impossible without knocking down the Funds to such a Price as would have created a further Panic."

Mr. Browne, M. P., an extensive American Merchant, expressed the same Opinion in still more unqualified Terms.

2398. 2399. "Supposing they had not taken that Course, but had felt it necessary to recruit their Reserve by the Sale of Securities, do you think that the Circumstances of the Stock Exchange at that Time would have admitted of the Sale of a Million or Two Millions of Stock or Exchequer Bills?—I do not think it would, without very great Sacrifices; and if the Panic had been equal to what we might suppose it might have been, under such Circumstances, I doubt whether they could have been sold at all.

"But even assuming that they could have been sold at a considerable Sacrifice, would not that have entailed the Consequence, not only of a Sacrifice to the Bank, but of a Sacrifice to all the Holders of Public Securities?—Certainly. I think the Remedy would have been worse than the Disease."

The attention of Mr. Tooke was called in the following Manner to the Evidence given by the Governor of the Bank on this Subject, and the Questions and the Commentary are so important that the Committee think it right to bring the whole Passage under the Observation of the House.

3140. 3141. "You alluded to the Jeopardy in which you conceived the Banking Department of the Bank to have been placed in September 1847. Your attention is requested to an Answer which was given by a Witness before this Committee.

See Morris, 38. 'I cannot allow that the Bank was in any Danger of suspending its Payments. I will take the Reserve as it read upon the Friday Night previous to the Letter being issued upon the Monday. I do not take the Saturday, because we were then acting under the expected Issue of the Letter. The Bank Reserve at that Period, the Friday, was 2,376,000 *l.* We should have had no Difficulty whatever in meeting all our Liabilities. We should not have been able to give the same Extent of Accommodation that Parties were requiring from us. Parties came, and thought they had only to ask for Money, and they would have it at once. We might have put into the Account a considerable Amount by selling Consols. We had going off weekly Bills to the Extent of 1,500,000 *l.*, so that by discounting even at the Rate of 100,000 *l.* a Day, to give the Public some Accommodation, our Reserve would still have increased at the Rate of 900,000 *l.* a Week. It is certain that in a very short Period we should have had as large a Reserve as would be necessary for our Purposes; and therefore I maintain that the Bank was never at any Period in Jeopardy.' If you were told that such was the Opinion of the Governor of the Bank of England, would you say that he took a very erroneous View of the Situation of the Bank

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Bank at that Moment?—It would entirely depend upon what is meant by the Term 'Jeopardy.' I did not go the Length of saying, that I thought they could not maintain their Payments, but I considered that they would be in very great Difficulty in doing so. I do not imagine that the Governor of the Bank or any body could form an adequate Conception of what might or might not have been the Difficulty of the Week following the 23d of October. The Governor talks of selling Consols. It might be. But I can easily conceive a State of Things in which the Bank could not have sold Consols at all. If they had withheld Bank Notes from the Public to the Extent which is supposed in that Answer, I do not believe that Bank Notes would have been found to pay for the Consols."

2. *Limitation of Discounts.*—The Remedy of diminishing the Discounts would have led to many of the same Consequences with those attending a forced Sale of Securities. This measure would undoubtedly have increased the Panic, by aggravating the Pressure, and without supposing any combined Movement on the Part of the Depositors to call up their Deposits, Necessity and private Interest must have led to that Result. The Deposits available on Demand must to a certain Extent have been called for to supply the Place of the Discounts reduced or withheld, and the Bank would have had to encounter an inevitable Loss on the one hand, whilst fruitlessly endeavouring to secure a contingent Advantage on the other. In the course of this Process it is scarcely necessary to point out how much the Commercial Difficulties must have been aggravated. This cannot be denied even by those who anticipate that the Bank might have been relieved, and the Bank Reserve strengthened. But if the Effect had been to increase the Pressure and Alarm to a greater Degree, by the Limitation of the Discounts, than that Alarm and Pressure were mitigated by the Augmentation of the Reserve, the Condition of the Bank, already shown to be perilous, would have necessarily become still more alarming, and "the Remedy might have proved," to use the Words of a Witness already quoted, "still worse than the Disease."

On these Grounds, and not relying with any Confidence on either of the Remedies proposed by the Bank, as likely to have proved safe or effectual, and believing that, even if adequate for the special Interests of the Bank, they would have entailed upon the Public, as well as on the Commercial Classes, Discredit, Loss, and Suffering, the Committee again repeat their Approval of the Treasury Letter of the 25th of October, which, as an extraordinary Assumption of Responsibility, dispensing with the restrictive Provisions of the Act of 1844, and inconsistent with them, would not otherwise have been justifiable, but, on the contrary, would have exposed the Government to well-deserved Censure.

Sect. III.—Efficiency of the Circulation not identical with its Money Amount.

Sect. III. *Efficiency of the Circulation not identical with its Money Amount.*

The Committee have hitherto confined their Observations to the practical Effects which the Act of 1844 has had upon the Commercial Distress of 1847. They feel it their duty to consider, likewise, some more general Questions, which, whilst they have essentially affected the Period of Distress, are also of more permanent and universal Application. The inflexible Rule, considered to be invariable and self-acting, and adopted by the Legislature as connected with and consequent upon the Separation of the Departments of Issue and of Banking, and the Regulations provided for both, is founded on certain

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Principles which before they can be adopted demand very serious Examination. The Act appears to assume that one fixed amount of Notes out of the Custody of the Bank, and in the Hands of the Public, will at all Times produce the same Effect, and will be governed by the same Laws. Unless this Proposition be true, the uniform and fixed Rules of the Act of 1844 can hardly be justified. It seems to have been on this Principle alone that the following Evidence of Mr. S. J. Loyd has been given. He was asked whether, in consequence of the low State of the Reserve in 1847, the Bank were not constrained to put a very heavy Pressure on Commercial Accommodation. He answers,

1416. "I totally deny that Fact, and I appeal to the published Returns in support of the Denial. At the very Moment spoken of, the total Amount of Securities in the Hands of the Bank was 31,000,000 *l.*, and the total Amount of the Private Securities was 20,000,000 *l.*, an Amount almost I believe altogether without a Precedent. Therefore I cannot understand how any Person can say that at that Time the Bank of England was putting a severe Pressure upon the Mercantile World, when in point of fact the Notes in the Hands of the Public were to an Amount almost unexampled, and whilst the Amount of Accommodation given to the Public by the Bank in the Form of Discounts was an Amount which I believe had never been known before."

It would appear that in this Answer Mr. Jones Loyd looks mainly to the numerical Amount of Notes issued by the Bank, and assumes that the Accommodation possessed by the Public may be measured by that Amount, and by the corresponding Securities in the Hands of the Bank. On considering the Evidence given before the Committee, this will be shown to be a defective Standard. This Inference may be drawn from the following Evidence of Mr. Horsley Palmer.

912. "In answer to some Questions that were put to you with respect to the Amount of Notes issued by the Bank about the Month of October 1847, you stated to the Committee upon a previous Occasion the Amount of Notes then out. But is it not the Fact that that is not the Measure of their Activity in the Market? Was not a considerable portion of the Issue in October 1847 an Issue rather for the Purpose of Precaution and Reserve than for active Circulation in the Country?—I believe, from the best Opinion I can form, that there were nearly 3,000,000 *l.* of Notes issued merely for the Maintenance of Credit, and not required for Circulation."

The Governor of the Bank, whilst fully confirming the Fact stated by Mr. Loyd, draws a Distinction in relation to the Notes out of the Hands of the Bank, which establishes the Principle which the Committee are now investigating; it was not that there was an insufficient Amount of Accommodation given to the Public, but that the Public were hoarding Notes; Bankers would not part with their Money, and Country Bankers had a large Amount of Notes sent down to them.

2718. Mr. Norman draws the same Distinction. He states in reference to this Period, that the Amount of the Circulation was high, at least much higher than on many former Occasions; but the Panic occasioned much hoarding.

2719. "Therefore it diminished the Amount of Paper that was actually in Circulation, and diminished the Activity and Efficiency of the Circulation?—The Spirit of hoarding diminished the Efficiency of the Circulation."

This Spirit of hoarding, as it is here termed, refers to the Necessity under which every Banker or Commercial Man finds himself in Times of internal Discredit and Alarm. He is compelled in prudence to increase his Reserves

and

and then to withdraw Notes from active Circulation. This obvious Fact is stated by Mr. Loyd in reply to the Question:—

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"Does not such a State of Disturbance of public Confidence necessitate an Increase of the Reserves which all Men under great pecuniary Engagements must keep in order to answer those Engagements?—In a Period of disturbed Confidence the Reserves of Bankers are augmented." 1425.

The Experience of Mr. Samuel Gurney leads him to the Adoption of the same Principle, and his Calculation of its practical Results in 1847 carries him even beyond the Conclusions of Mr. Palmer.

"When you say that a Diminution in the Amount of the Reserve in the Bank and of the Bullion in the Bank occasions Scarcity, it only occasions Scarcity inasmuch as it obliges the Bank to diminish its Accommodation to the Public?—Clearly. But I would go on to say, that several Causes began to operate upon the rapid Rise in the Value of Money. (I am now speaking of August, October, and November.) The Failures began to take place in August. The Number of Failures in each Week was increased, and was at last followed by a considerable Panic. The Effect of that Panic was to cause very general Distrust, and a gradual running down of the Reserved Fund of the Bank as well as of the Bullion. After a little Time People began to think, under the Influence of this Panic, how are we to get Circulating Medium? And the wealthy and more powerful took care very largely to over-provide themselves, and drew upon the Reserves of the Bank infinitely beyond the real Necessities of the Case. The Consequence was, that the Amount of Notes in the Hands of the Public amounted to nearly 21,000,000*l.*; and I have not the slightest Doubt that at that Period at least from Four to Five Millions Sterling of the Notes issued were locked up and inoperative, in consequence of the Alarm and of a Fear of not being able to get Bank Notes at all." 1116.

On a subsequent Day Mr. Gurney confirmed this Evidence, and described in a very striking Manner the Contrast which exists between the Effects of a smaller Amount of Bank Notes in Times when no Alarm exists and a much larger Amount during a Period of Discredit.

"I wish to call the Attention of the Committee to the Fact, that at the End of October of last Year the Amount of Bank Notes in the Hands of the Bank was 20,800,000*l.* At that Period there was great Difficulty in getting Possession of Bank Notes in the Money Market. This arose from the Alarm of not being able to get them in consequence of the Restriction of the Act of 1840. At present the Amount of Bank Notes in the Hands of the Public, according to the Return in the last Gazette, is 17,700,000*l.*, but there being now no Commercial Alarm whatsoever, it is much beyond what is required. There is no Banking House or Money Dealer in London but what has a larger Amount of Bank Notes than they can use." 2645.

Although the Answer of Mr. Loyd (1416), already referred to, might seem to clash with the Evidence of Mr. Palmer and Mr. Gurney, an Admission of another and of a sounder Principle may be deduced from his subsequent Evidence. Mr. Loyd had been examined before the Committee on Banks of Issue in the House of Commons, and the following Reference was made to his previously expressed Opinions.

"In the Evidence which you gave before the House of Commons Committee in July 1840 you stated, in reference to the State of Things in the Month of June 1838, 'There arose a State of great public Alarm, which acted in a Manner tantamount to a Contraction of the Circulation.' Taking that Principle so clearly laid down by you into account, would the Amount of Notes which had been issued from the Bank measure the Amount that were in actual Circulation at that Time?—I consider that the Amount of Notes in the Hands of the Public and the Amount of Notes in the Bank Till constitute the Amount 1423.

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Amount of Notes in Circulation. It is perfectly true that the Circulation may be in a more active or in a more dormant State. It is perfectly true that the same Amount of Notes will at different times be more efficient in performing the Functions of Circulation; that in proportion as Confidence is firm the Circulation is more efficient, and as Confidence is shaken Circulation becomes less efficient. A diminished Efficiency of Circulation and a Contraction of the Amount in Circulation may in some respects produce the same Results; but they are still totally different Things."

No Explanation seems to have been given of the Difference between the diminished Efficiency of Circulation produced by Alarm and an actual Contraction in the Amount of Circulation to which it had in 1840 been considered as tantamount. The Governor and Deputy Governor of the Bank of England, on the other hand, appear to recognise and admit the Principle laid down by Mr. Horsley Palmer and Mr. Gurney. Their Evidence is as follows:—

172. "Is not the Rapidity of Circulation of Promissory Notes issued by the Bank totally different in a Time of Panic and Disturbance of Credit from what it is in a Time of Prosperity and rising Prices?—Yes."

Nor do these Conclusions rest wholly on the Evidence taken before the Committee. The important Principle that the Efficiency of the Circulation cannot be estimated merely by its numerical Amount, however that numerical Amount may constitute one of the Elements from which its Efficiency is to be inferred, rests also upon earlier Authorities. The following most important Passage is extracted from the Bullion Report of 1810:—"The mere numerical Return of the Amount of Bank Notes out in Circulation cannot be considered as at all deciding the Question whether such Paper is or is not excessive. * * * The effective Currency of the Country depends on the Quickness of Circulation, and the Number of Exchanges performed in a given Time, as well as upon its numerical Amount; and all the Circumstances which have a Tendency to quicken or to retard the Rate of Circulation render the same Amount of Currency more or less adequate to the Wants of Trade. A much smaller Amount is required in a high State of public Credit than when Alarms make Individuals call in their Advances, and provide against Accidents by hoarding, and in a Period of commercial Security and private Confidence than when mutual Mistrust discourages pecuniary Arrangements for any distant Time." Nor did these Considerations escape the Notice of the Committee of the House of Commons of 1819. The same Principle is adopted, and accurately laid down, in the following Passage of their valuable Report:—

"Many Circumstances contribute to affect the Value of the Bank Note,—the varying State of Commercial Credit and Confidence, the Fluctuations in the Amount of Country Bank Paper, and the different Degrees of Rapidity with which the same Amount of Paper circulates at different Times."

If these Principles be admitted,—and it appears impossible that they should be seriously controverted,—it is of the first Importance to consider how far they are adopted in the Act of 1844, or how far the Provisions of that Act are in conformity with them. On this Subject the Committee will refer to the following Questions and Answers from the Examination of the Governor and Deputy Governor of the Bank of England.

177. 222-224. "Under the Act of 1844 are you not restrained from issuing your Paper, even though you might certainly know that it would not go into active Circulation, but that it would be used only for the Purpose of restoring Confidence? Are you not subject to the same Regulations as if it would go into most active Circulation under all possible Circumstances?—Yes."

"Do

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"Do not you consider that there is an entire Fallacy in the Supposition that a certain Amount of Currency out at one Time produces the same Action as a certain Amount of Currency out at another; for instance, where either Coin or Notes are taken from the Bank for the Purposes of hoarding in Times of Temporary Panic, do not you consider that those Notes produce a totally different Effect upon the Circulation from what they would produce if they were taken from the Bank in a Time of active Commerce and rising Prices?—I consider that the same Amount of Notes will act very differently according to different Circumstances. When 2,200,000*l.* additional Gold had gone into Circulation of course a large Amount was hoarded, and was an Abstraction of that Portion of the Circulation which would otherwise have been usefully engaged.

"It is no longer Currency?—It is no longer Currency.

"How do you reconcile with those Answers a Rule which is governed universally by the Amount of Notes, assuming them to be homogeneous in their Nature, and to produce the same Effect upon Currency and Prices under all Circumstances, without considering whether the Notes are to be hoarded or to be put into active Circulation?—(Mr. Prescott.)—I conceive, certainly, that in Time of Panic the Money Market will bear the Issue of a greater Quantity of Notes than it will in ordinary Times for the ordinary Purposes of Trade, without affecting the Exchanges."

The Extent to which the Disregard of the great Principle which regulates the Efficiency of the Circulation is carried, and the Consequence of adopting the inflexible Rule of the Act of 1844, which assumes the same Amounts of Currency to be at all Times Equivalents, are most strikingly described by the following Extract from Mr. Gurney's Evidence:—

"The Panic of April very soon passed away. It was, however, attended with great temporary Inconvenience, yet it was not so prolonged as to produce Failures. As I stated before, in the Beginning of August the Panic which spread through the Autumn and lasted till near the End of the Year commenced by the Failure of many Houses in the Corn Trade. There was a sufficient Cause for these Failures, which were not owing to this Act at all. Alarm increased to the Pressure of other Houses; it shook Credit; and other Houses which were in dubious Condition failed. Alarm increased; great Depreciation in the Value of Mercantile Property followed, as also of Funded Property. Afterwards the Pressure reached Houses that ought not to have failed, Houses that had been fairly conducted, and were solvent. Now, so far as this, I think the Act had not much to do with it. The Amount of Bullion in the Bank remained large; not less than Eight Millions Sterling. About the End of September Alarm spread to a Fear of getting Circulating Medium, in consequence of the Restriction of the Act. The Bank raised their Rate of Interest very high; that increased the Alarm, and a State of extreme Panic was the Consequence. Had it not been for the Alarm the Notes in the Hands of the Public would have been superabundant. We should have had a great Number of Failures, and a great Amount of Mercantile Calamity, at all events; but we should not have had the same Degree of Calamity or Panic, neither would the Rate of Interest have been so high. There was no real Cause that the Rate of Interest should have got up to what it did. The Extent of the Calamity was the Effect of the Act, and the Act only."

Many other Statements, Authorities, and Illustrations might be given, exemplifying the same Principles, and proving the evil Consequences of disregarding them; but enough has been stated to prove, in the Judgment of the Committee, that the Inflexibility of the Rule prescribed by the restrictive Clauses of the Act of 1844 is indefensible, when equally applied to a State of varying Circulation; and that its Enforcement in 1847 was an Aggravation of the Commercial Distress, and was therefore wisely set aside by the Authority of the Government on the 23d and 25th of October.

Sect. IV. *Inapplicability of the same Rule to Periods of favourable and of adverse Foreign Exchange.*

Sect. IV.—Inapplicability of the same Rule to Periods of favourable and of adverse Foreign Exchange.

The Committee will now proceed to consider an analogous Question; namely, the Connexion between the Act and the State of the Foreign Exchanges. It will be observed that the Two Questions of the Efficiency of the Circulation, and of the Contrast existing between a favourable and adverse State of Foreign Exchange, are intimately connected; internal Demand, the Hoarding of Notes and Coin, and the Increase of Banking and Commercial Reserves, being frequently the Concomitants and Consequences of a State of Things perfectly compatible with a favourable Foreign Exchange.

In order to make their Observations in respect to the Foreign Exchanges more intelligible as applied to the Year 1847, it is expedient to bear in mind the leading Facts of the Case. Two different Periods of Pressure occurred in that Year, the one in April, the other in October. These Two Periods were clearly distinguishable. In April the Foreign Exchanges were adverse, and the Bank was subject to a heavy Drain of Gold for Export, more especially to the United States. In October the Exchanges were favourable, Gold was flowing in steadily, and the Advices from abroad showed that more extended Supplies might be depended on. This Distinction, which is of the highest Importance, is drawn by the Governor and Deputy Governor of the Bank of England.

11. "The Pressure in the Months of September and October I consider to be a very different Pressure from that in the Month of April. That in the Month of April arose principally in consequence of the Pressure from the Export of the Precious Metals, and the Circulation becoming more contracted, whereas I consider that in October to have arisen from a State of Panic."

On further Examination (142) the Governor stated, "the Exchanges in October were favourable for the Importation of the Precious Metals. In April 1847 Gold was going to America." The following Evidence of Mr. Horsley Palmer is confirmatory of the same Fact:—

727-729. "Comparing the Pressure in October 1847 and the Pressure in April, did not the chief Distinction between the Two consist in the different State of the Foreign Exchanges at the Two Periods?—The unfavourable Exchange ceased about the Middle of April.

"The Exchanges were favourable in the Month of October?—Yes.

"And favourable during the whole of the intervening Period?—Yes."

The same Fact was stated by Mr. Cotton, on 31st March; "after the Month
3222. of April all the Exchanges, he believed, were favourable: the Importation of the Precious Metals was going on through the whole Period." The Contrast will appear still more striking when it is recollected that in Spring the Drain
12. of Bullion amounted to 9,000,000 *l.* The subsequent State of Things marks the Change that had occurred. This is likewise stated by the Governor in his Evidence:—

126. "Had not the Demand for the Export of Bullion ceased a considerable Time before the Panic took place?—Bullion was coming into the Country in August, September, and October 1847. Before the Panic had taken place Bullion was coming in to a small Amount. From the 1st of August to the 30th of October 1,373,000 *l.* was purchased by the Bank."

It is true that, contemporaneously with this Foreign Influx, there was a Drain of Bullion from the Bank; but the Governor of the Bank explains the Cause

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Cause of this, and distinguishes it clearly from the Drain of the Month of April:—

"You stated that the Exchanges turned, and that there was an Influx of Bullion as early as the Month of August. Now it appears by these Returns that, notwithstanding that, there was a gradual Diminution of Bullion in the Issue Department of the Bank from that Time down to the End of October; how do you account for that?—I have stated that there was an internal Demand. I think that 2,200,000 Sovereigns went out into the Country in consequence of the internal Demand, and therefore the Bullion in the Bank decreased, although the Importation had taken place." 13.

This Evidence is sufficient to establish undeniably the Difference between these Two Periods. The Committee now proceed to examine what has been laid down, on the highest Authorities, as the sound Rule on which Banking Transactions ought to be regulated under these contrasted Circumstances. That a different Course ought to be pursued in reference no less to the Interest of the Bank than to the Interests of the Public, is stated by many Witnesses. The following Questions and Answers convey the Opinion of the Governor and Deputy Governor of the Bank:—

"Do not you think that the Management of the Bank with respect to the Amount of its Issues and the Facility of Discounts ought to be upon a different Principle when the Exchanges are adverse and when they are favourable?—When the Exchanges are adverse, and Gold is going out of the Country, naturally the Bank cannot help taking Measures to protect themselves, because it acts upon their Reserve, and therefore naturally it would induce more Caution. 143–145.

"Independently of the Act of 1844 altogether, and looking at the prudential Management of the Bank, do you not consider that it would be expedient to be cautious and restrictive in the Amount of Banking Accommodation given when the Exchanges are adverse; and that, on the other hand, there might be a freer Management of the Banking Resources when the Exchanges are favourable?—I should say that when the Exchanges are against the Country, and Gold is going out of the Country, we should naturally be cautious, because we feel the Effect almost immediately. With respect to the other Question, which I understand to refer to October,—the Period when Gold had been coming into the Country,—I should say that we had then internal Distress acting against us, and therefore there would not be the same Circumstances that might guide us as upon other Occasions; but the internal Demand taking place, we were equally bound to provide for that as for the external Demand. We are talking about Gold, but I consider that in the Banking Department we have nothing to do with that. I look at the State of our Deposits and other Liabilities, and the Reserve in the Banking Department.

"The Question refers to the general Principles of Banking Management; supposing the Bank were altogether free from the Obligations of the Act of 1844, would not you as a Banker feel it expedient to act with more Caution with respect to your Banking Reserve at a Time when there was a Foreign Efflux of Gold than at a Time when Gold was coming in?—Decidedly."

When Mr. Horsley Palmer was asked whether a different Rule ought not to be applied to the Two Cases under Consideration, his Answer was as follows:—

"Do you, from your Experience connected with this Subject, conceive that it is defensible in Reasoning, or maintainable in Practice, that in managing the Bank the same Rule should be applied to the Case, whether the Foreign Exchanges be favourable to the Country, or adverse to the Country?—I think it is always in the Power of the Bank to protect itself against a Foreign Demand, but it is totally impossible to protect itself against an internal Demand. 731, 732.

"The Question is with respect to the Restriction imposed upon your Issues for the Accommodation of the Public, whether you think that it is defensible in

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Theory, or maintainable in Practice, that you should have the same Rule in managing the Bank when the Exchanges are adverse and when the Exchanges are favourable?—Certainly not."

Nor does this seem to be controverted in Principle, even by the Witnesses who differ the most from the Opinion of Mr. H. Palmer. Mr. S. J. Loyd, on having the Question distinctly brought before him, comes to the same Conclusion; nor is this in the slightest Degree affected by the Distinction which he afterwards draws, and on which he reasons.

1447, 1448. "Would not a different Operation with respect to the Amount of Notes issued be rendered necessary and prudent in a Case in which the Exchange is adverse to the Country, as compared with a Case in which the Exchange is favourable to the Country?—The Two Things are separate and distinct. It seems to me that we are merely discussing about the Mode of expressing ourselves; there is no real Difference of Opinion. Under an adverse Exchange the aggregate Circulation ought to be contracted; but it is possible that under an adverse Exchange there may be a Substitution of one Portion of the Circulation for another Portion, which may be effected without reference to the other and distinct Duty of contracting the aggregate Amount of the Circulation.

"Under an adverse Exchange the Circulation ought to be contracted; under a favourable Exchange no such Necessity exists?—Exactly.

1451. "Do you consider that under adverse Exchanges a Contraction of the Circulation might be indispensably necessary with a view to preserve Convertibility, which in a State of favourable Exchanges and Influx of Gold would not be required with a view to preserve Convertibility?—There is no Necessity for a Contraction of the Circulation whilst Gold is coming in."

Mr. Geo. C. Glyn connects these Principles more distinctly with the Events of 1847, and in that respect renders them more immediately applicable to the Questions referred to the Committee. Adverting to the Case of 1825, in which Credit was restored and Panic removed by a large Issue of Notes, even when the Amount of Bullion was reduced to its lowest Point (but which Example should always be considered in relation to the Fact that at the Close of the Year 1825 a large Withdrawal of the Paper of insolvent Country Banks had taken place, for which, to a certain Degree, the increased Issues of the Bank of England were then substituted), Mr. Glyn proceeds in the following Manner:—

1764–1769. "In that Case, that of 1825, the increased Issue of Bank Notes, in place of creating a Demand for Gold, had the Effect of bringing back the Gold into the Coffers of the Bank?—No doubt it did.

"The contrary Effect would have been produced if the Exchanges had been against the Country?—Yes.

"Therefore you distinguish clearly between the Case of an external and of an internal Drain?—Yes; the Foreign Demand for Gold was met in April last by raising the Rate of Interest.

"Which you think was right?—Perfectly right.

"An internal Drain is the Effect of Apprehension?—The Effect of Alarm.

"Is not the Gold in that Case much more likely to find its Way back again to the Bank than in the Case of a Foreign Drain, which must wait the Improvement of the Exchanges?—No doubt about it. Remove the Cause of Alarm, and the whole Thing will take its own natural Course, and the Gold will flow back again.

1774. 1775. "Placing the Bank of England in the Position in which it stood during the last Year, and supposing it to be left to act at its Discretion upon the Currency, do you think it possible to determine the Point at which its Duty would have been to abstain from diminishing the Circulation, and to commence extending its Accommodation?—I think it might. In 1847 the Periods were very clearly and distinctly marked; and that when this Pressure came in October 1847 the Exchanges both with the United States and with the Continent of Europe had set in so decidedly in favour of this Country that there could have been no Apprehension of Danger by enlarging the Circulation.

"Have

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1778. 1790.

"Have you attended particularly to the Course of Events in the last Year so as to be able to say at what Point you think the Bank of England ought to have altered its Course and extended its Accommodation if it had the Power?—I should put it about the Month of September.

"Do you think that the State of the Foreign Exchanges is an invariable Index of the Nature of a Pressure; that is to say, can you, from the State of the Foreign Exchanges, ascertain whether it is an internal or an external Drain?—Certainly. You can always tell whether it is a Demand for Gold for Export.

"You consider it an invariable Index, so that there is no difficulty in determining the Nature of the Pressure?—Yes, from the Fact of the Exchanges being against this Country.

"You can always ascertain whether it be the Fact that Gold is going out of the Country?—Certainly."

Such is the Evidence on which the Committee rely for establishing the Principle that a different Rule should be acted upon in regulating the Issue of Bank Notes when the Foreign Exchanges are adverse and when they are favourable. But this Question is so essentially bound up with the whole State of Things in April and October 1847, and with the Expediency of maintaining the Restriction of the Act of 1844, that the Committee must stand excused if they examine and bring before your Lordships earlier and equally conclusive Authorities, with a view to the general Principles which those Authorities adopt and sanction, and for the still more important Object of considering whether, if these Principles are disregarded and set aside, in Legislation and in Practice, Consequences the most ruinous must not inevitably ensue,—dangerous no less to the public Interests than to private Credit, and ultimately dangerous to the Safety of the Bank itself.

The following Extracts from the Bullion Report of 1810 will bring under the Notice of your Lordships the Events of 1793 and 1797, illustrating the Questions investigated in the present as well as in the preceding Section:—

"In 1793 the Distress was occasioned by a Failure of Confidence in the Country Circulation, and a consequent Pressure on that of London. The Bank of England did not think it advisable to enlarge their Issues to meet this increased Demand; and their Notes previously issued, circulating less freely in consequence of the Alarm that prevailed, proved insufficient for the necessary Payments. In this Crisis Parliament applied a Remedy very similar in its Effects to an Enlargement of the Advances and Issues of the Bank. A Loan of Exchequer Bills was authorized to be made to as many Mercantile Men, giving good Security, as should apply for them; and the Confidence which this Measure diffused, as well as the increased Means it afforded of obtaining Bank Notes through the Sale of the Exchequer Bills, speedily relieved London and the Country. Without offering an Opinion on the Expediency of the particular Mode in which the Operation was effected, your Committee think it an important Illustration of the Principle, that an enlarged Accommodation is the true Remedy for the occasional Failure of Confidence in the Country Districts, to which our System of Paper Credit is unavoidably exposed."

It may here be observed, in order to guard against Misapprehension, that the Difficulty expressed in the Bullion Report is solely in respect to the particular Mode in which the increased Issue of Bank Notes was obtained, namely, by an Advance of Exchequer Bills; and that no Doubt is raised respecting the Expediency of granting an enlarged Accommodation in Periods of internal Alarm, if unaccompanied by an Advance of Foreign Exchange. This, as applicable to the Events of October, is the real Question to be solved.

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The Bullion Report proceeds to describe the State of the Country and of Credit in 1797, and in doing so expresses the Opinion of the Committee in the strongest Manner.

754. "The Circumstances which occurred in the Beginning of the Year 1797 were very similar to those of 1793,—an Alarm of Invasion, a Run upon the Country Banks for Gold, the Failure of some of them, and a Run upon the Bank of England,—forming a Crisis like that of 1793, for which, perhaps, an effectual Remedy might have been found if the Bank of England had had Courage to extend instead of restricting its Accommodation and Issue of Notes. Some few Persons, as appears from the Report of the Secret Committee of the House of Lords, were of this opinion at that Time; and the late Governor and Deputy Governor stated to your Committee that they and many of the Directors are now satisfied, from the Experience in 1797, that the Diminution of their Notes in that Emergency increased the Public Distress; an Opinion in the Correctness of which your Committee entirely concur."

The Committee are unwilling to overlook the Important Testimony given to the same Effect, by Three Authorities, whose Weight as connected with Inquiries of this Character will readily be admitted. And their Authority is the more important because it is not derived from casual Observations in Debate, or any unauthorized Record of Opinion, but is contained in Publications of great and well deserved Reputation. The Authorities to which the Committee is about to refer, are Mr. Henry Thornton's Essay on Paper Credit, Mr. Horner's Commentary on that Letter, and Mr. Huskisson's Treatise on Depreciation. The Opinions of Mr. Thornton and Mr. Horner were brought under the Notice of the Governor and Deputy Governor of the Bank, when examined before the Committee, and become still more important from the Comment of these Witnesses. The following Extract is taken from the Minutes of Evidence:—

247. 250. "In Mr. Thornton's memorable Book upon Paper Credit, and Mr. Horner's Observations upon it, there is the following Statement. Will you have the goodness to tell us how far it consists with your Judgment, and is borne out by late Experience? 'At a Period of internal Discredit the Country Bankers limit the Issue of their Notes, and enlarge their Reserves of Cash; the Money Dealers of the Capital participate in the Alarm, and enlarge their Reserves likewise.' Would not that be the tendency at any Period of Alarm, that all Parties dealing in Money would feel an Anxiety to increase their Reserves?—That would be the Tendency certainly.

"That is followed up by this Statement: 'Unless the Bank of England, therefore, which is the Source of Circulating Credit, shall in these Circumstances consent to enlarge its Issues of Paper, a general Subversion and Ruin of that Credit may take place; but if it adopts that Measure seasonably and in the Proportion that the new Demands of the Circulation require, the Mischief may cease after a slight and temporary Inconvenience. The Experience of 1793 illustrates this. The Pressure then began with a Demand of Guineas for the Interior. The Notes previously in Circulation were not below the usual Number, but that was rendered by a slower Circulation insufficient. A Loan of Exchequer Bills proved a Remedy.' Do you concur in that?—I should say that the Government Letter issued in October answered exactly the Purpose there stated. Then, instead of Exchequer Bills being issued, the Government allowed Relief to be given in Bank Notes under certain Limitations.

"Mr. Thornton ends by stating, that 'In future Seasons of Alarm it may reasonably be expected that the Directors of the Bank of England will prove less timid.' Do you consider that these Recommendations and these Authorities can be acted upon consistently with the Maintenance of the Portion of the Act of 1844 to which your Attention has been called?—I consider that the whole Object of the Act of 1844 was to assimilate the Paper Currency as nearly as possible in its Functions to a Metallic Currency. The same State

of

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of Things might take place under a Metallic Currency which took place under a Paper Currency with the Bill of 1844, and the same Interposition of the Government for the Purpose of relieving Commercial Distress during the Time might have taken place in the one Case as in the other.

"The Question is not, whether the Act of 1844 has answered the Expectations of those who framed it and of the Legislature who passed it, but it goes to this simple Point, whether that Measure of a more extended Issue on the Part of the Bank, which, if those Authorities are to be relied upon, is necessary under such Circumstances for the Maintenance of Credit, can be resorted to under the express Provisions of the Act?—No, it cannot."

The Observations of Mr. Huskisson were in like Manner brought under the Notice of the Governor and Deputy Governor of the Bank, with a view of giving to those Gentlemen the fullest Opportunity of explaining how far they adopted or rejected that Authority, as well as of comparing it with the Banking Transactions of 1847, and with the Rule laid down by the Act of 1844. The Evidence stands as follows:—

236. 237. "Will you have the goodness to attend to the following Passage. Mr. Huskisson states, in his Pamphlet on Depreciation, that 'the Consequences of sudden Alarm cannot be measured; they baffle all ordinary Calculation. Cash is then withdrawn, not because the Circulation is excessive, but by the Country Banks and the Town Bankers, for the Purpose of meeting possible Demands upon them, and by the Community at large, either directly from the Bank or indirectly through the former Channels, for the Purpose of hoarding, from the Dread of some imaginary or contingent Danger.' Does that describe accurately the Effect that you think takes place under the Circumstances of a Panic as you have interpreted the Word?—I think decidedly.

"Then, in the same Passage, the following Sentence succeeds: 'In such a Crisis every Reduction in the Amount of Bank Paper is so far from checking the Drain that it aggravates the general Distress, because the Gold which is taken out of the Bank, instead of being substituted in circulation for the Notes withdrawn from it, is for the most Part locked up, and thus in proportion as the stagnant and straitened Circulation wants Life and Aid it becomes every Day more embarrassed, whilst each new Calamity produced by such a State of Things contributes to spread and increase the general Apprehension.' Do you agree that under such Circumstances the straitening of the Circulation (assuming throughout that this is produced by an internal Demand and not by a Disorganization of the Foreign Exchanges) tends, in the Words of Mr. Huskisson, to spread and increase the general Apprehension, and to make the Commercial World more embarrassed?—Yes, I do. And I consider that the Bill has provided a Remedy for that, inasmuch as the straitening of the Circulation causes a Rise in the Exchanges, and an Importation of the Precious Metals for the Purpose of performing that which an extra Issue of Notes would have done."

Mr. Huskisson adds, in a Passage which was not read to the Governor of the Bank, "It is therefore manifest that by a possible Combination of Things the Bank might be driven to part with its last Guinea, not only without having checked the Drain, but with the Certainty of increasing it in proportion as their Notes were diminished." These latter Words are not only applicable here, but offer an important Commentary on the Proposition of the Bank, already adverted to, of allowing their Bills to the Extent of 1,500,000 *l.* to run off, and to limit the Re-discounts to 100,000 *l.* a Day. To such a Mode of Proceeding the following Extract from the Bullion Report distinctly applies: "A very urgent Demand for Guineas, though arising not from a high Price for Gold and the State of the Exchanges but from Fear of Invasion, occurred in 1793 and 1797, and in each of these Periods the Bank reduced their Discounts, and consequently also the Number of their Notes, very much below the Demand of the Merchants. Your Committee question the Policy of thus

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limiting the Accommodation in a Period of Alarm unaccompanied with an unfavourable Exchange and high Price of Bullion." Yet it must be remembered that the Policy thus condemned by the Bullion Committee was, in 1844, made imperative on the Bank of England, if the Limitation of their Discounts in October 1847 was to be resorted to in order to preserve the Solvency of the Bank.

It is true that Mr. Huskisson continues his Argument to the following Effect:—"At such a Moment the Preservation of the Bank from actual Failure, though an important, is but a secondary, Consideration; that of the Country is the first. The possible Cases, however, which may call for such an Intervention of Power are not capable of being foreseen or defined by Law. The Necessity may not occur again; if it should, the Application of the Remedy must be left to those who may then be at the Head of Affairs, subject to their own Responsibility and to the Judgment of Parliament." The Case contemplated by Mr. Huskisson was a Case of approaching Exhaustion of Gold, and not a Case like that of 1847, where, the Bank still holding 8,000,000 *l.* of Gold, an artificial Deficiency of Gold might have been created by the Restrictions on its Use imposed by the Act of 1844. It cannot be with Certainty inferred from the above-cited Expressions of Mr. Huskisson, that he would in the latter Case, as well as in that which alone he could have had in view, have thought that the Application of a Remedy must be left to those at the Head of Affairs. Nor could Mr. Huskisson have anticipated a State of the Law by which artificial Restriction should have been imposed upon the Bank of the Nature of those enacted in 1844. The Panic of 1825, and the subsequent Pressure in 1837 and 1839, were all met and overcome without any Violation of the Law. It was not till the Stringency of the Provisions of the Act of 1844 became felt, for the first Time since the Bank Restriction in 1797, that by a Letter of the Government the Law of the Land was set aside. Mr. Gurney's Evidence (1226) will enable a Comparison to be made between the Events of former Times and those of the last Twenty-five Months. That Witness observes, "If by the permanent Law of the Country is meant the Act of 1844, and it had failed only in One Case, I should have been jealous of Alteration; but we had Three Periods of Crisis and great Difficulty in our Monetary System in the last Twenty-five Months, in each of which I am certain that the Calamity and Difficulty were materially aggravated by this Act. If there had been only One Case I should wish to try it a little longer; but when we have had Three successive Cases one after the other, and in each Case the Difficulty has been extremely aggravated by it, I come to the solid Conclusion that the Act must be relaxed."

From a Letter produced by Mr. Cotton, it is clear that Sir Robert Peel, in framing the Act of 1844, contemplated the possible Recurrence of a Period of pecuniary Crisis, in spite of the Precautions which were then taken. The Words of the Letter are as follow:—

3284. "Might there be Circumstances, such as existed in the Year 1825, in which an Enlargement of the Amount of Bank of England Paper might take place greatly for the Benefit of the Country without any Danger to the Convertibility of its Note?—That Subject was fully considered at the Time the Act of 1844 was framed. I have referred to a confidential Communication which I had from Sir Robert Peel upon the Subject, and I find among his Letters a Passage which I think completely answers that Question. I requested his Permission to state it, which he allowed me to do, and with the Permission of the

the Committee I will read it. It expresses the Result of a very long Deliberation. It was in a Letter from Sir Robert Peel, written from Windsor Castle on the 4th of June 1844. He says, 'My Confidence is unshaken, that we are taking all the Precautions which Legislation can prudently take against the Recurrence of a pecuniary Crisis. It may occur in spite of our Precautions; and if it does, and if it be necessary to assume a grave Responsibility for the Purpose of meeting it, I dare say Men will be found willing to assume such a Responsibility.' I believe that answers the Question whether it may be safely done."

As a conclusive Proof of the Distinction between the Rule which it is indispensable to apply in the contrasted Cases of a favourable and of an adverse Exchange, the Committee refer to the concurrent Testimony of nearly every Witness examined respecting the Effect which the Treasury Letter of the 25th October would have produced in April, or at the Time when actually issued; bearing in mind, that at the former Period Gold was flowing out of the Country, and that, at the latter, Gold was coming in. "I believe if the Letter had been issued in April, instead of doing Good it would have done Harm," is the Statement of the Governor of the Bank. Mr. Loyd, who approves of the Letter, though entertaining much Apprehension of its Consequences as a Precedent, draws the same Distinction in the following Part of his Examination.

57.

1566.

"What Difference existed between the Two Periods of April and October which makes the Argument which you use in Justification of the Letter in October not applicable to the former Period of April?—In April the adverse State of the Exchanges was barely rectified; a slight Cause would again have turned them against us; but in October they became clearly and decisively in our Favour.

1560. 1561.

"Do you think that the State of the Exchanges is that which ought to guide the Discretion of the Government with reference to the Issue of a similar Letter of Relaxation?—I think it would be impossible to issue such a Letter with Safety unless the Exchanges were in our Favour, and decidedly in our Favour; it does not follow that the mere Fact of their being in our Favour would justify the issuing of the Letter."

Nor does Mr. Cotton hesitate in expressing the same Opinion. His Evidence, which the Committee inserts, is particularly clear and distinct on this Question, and is the more important as he is one of the very few Witnesses who entertain some Doubt respecting the Expediency of the Treasury Letter.

"Are the Committee to infer from your former Evidence that you are of opinion that whilst the Letter in October produced no Mischief or Inconvenience, if the Letter had been issued at a Period anterior, say in April, it would in your Judgment have produced Inconvenience?—In my Opinion, in April, when we were not certain as to the Amount of Gold which might be required for the Importation of Corn, if the Letter had been issued, it might have produced a mischievous Effect in reducing the Amount of Bullion and risking the Convertibility of the Note."

3266.

"The Exchanges were adverse in April, and they were favourable in October. The Letter of the Government was useful in October, and you think would have been mischievous in April. Now do you think that the Circumstance of the favourable Exchange at the one Period and the unfavourable Exchange at the other lies at the Foundation of the Principle which, in your Judgment, makes the Letter a wise one at the one Period and an unwise one at the other?—I do not think I have said it was a wise one at either Period. I should say it was a safe one at the one Period, it might have been a wise one for what I know."

3270.

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The Committee have hitherto considered the Question of the Distinction between Periods of an Influx or Efflux of Gold, produced by the Exchanges as affecting the Bank of England only. But the Subject requires further Investigation in relation to the Effects produced on private Credit and private Interests, by confounding these Two Cases. It would appear from what has been already stated, that if an Extension of Currency were to take place when the Exchanges are adverse the Convertibility of the Note would be endangered; a Contraction of the Currency is consequently called for. If, on the contrary, at a Time of internal Discredit, but of a favourable Exchange, the same Contraction should be applied to the Currency, Panic must ensue with all its formidable Consequences. The following Question and Answer exhibits the Consequences of both Alternatives; they are taken from the Evidence of Mr. Glyn.

1921. "Your Attention is requested to the following Answers which were given by Mr. Jones Loyd before a Committee of the House of Commons in 1840, in reply to Questions from Sir Robert Peel:—'You have stated that it is difficult to guard against the Consequences of a Drain of the Bullion of the Bank arising from internal Causes? Yes.—One of those internal Causes might be Alarm, and perhaps unfounded Alarm, as to the Solvency of a particular Establishment; as, for instance, to the Means of the Bank to pay its Notes in Gold; and that might be one of the Causes of a Drain of Gold? Certainly.—Supposing there was some very eminent Mercantile House that foresaw the Probability that it would be unable to fulfil its Engagements on a certain Day, might not the Failure of that House contribute to increase that Alarm? Certainly it might tend to spread that Alarm.—Might not the Failure of one House lead to the Failure of other Houses? Certainly.—Might not the Alarm go on increasing in consequence of repeated Failures? Certainly.—Supposing the Bank prevented the original Failure by giving a timely Supply of Notes to that House, might not the Bank prevent, by that timely Supply, and by supporting the Credit of the individual House, the Origin of this unfounded Alarm? Undoubtedly.—Might not, in that Case, the Bank contribute to support the public Credit? Undoubtedly it might.' Do those Questions and Answers describe a State of Things in which, in your Judgment, Commercial Credit might be safely assisted if the Bank was left free to use its own Discretion, but from which it would be restrained under the Operation of the Act of 1844?—Clearly; always reserving the Point as regards the State of the Foreign Exchanges."

These Answers, it may be thought, are hypothetical; they were, however, subsequently illustrated by a real Case. Mr. Glyn was asked,—

1800–1802. "Do you recollect the Period at which considerable Accommodation was given by the Bank of England to the Northern and Central Bank?—I do.

"That was a Matter of Controversy at the Time?—Great Controversy.

"In the Evidence given in the Year 1841, Mr. George Norman was examined upon that Subject, and, in reply to a Question whether it was expedient that that Assistance should be given, said, 'Yes, I believe it was. The Committee will observe that there was no danger then from any Foreign Drain; and under all the Circumstances of the Case I believe the Bank acted properly.' Does not that amount, upon the high Authority of Mr. Norman, to a Recognition of the Distinction between the Propriety of granting such Accommodation when the Exchanges were favourable, and what the Case would have been if they had been unfavourable?—It is a Recognition of the Principle which I think ought to actuate the Government of the Bank."

The Attention of Mr. Norman was subsequently called to this Case, and to his former Answers, and he saw no Reason to alter or to object to them. Mr. Norman, it should be borne in mind, is strongly in favour of the Act of 1844, and unwilling that any Alteration should be made in its Provisions.

"Do

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"Do you recollect the Period in 1836 when the Bank of England gave Assistance to the Northern and Central Bank?—Yes, I have a general Recollection of it.

"In your Examination in the Year 1840 you were asked, 'Are you of opinion, from the knowledge which you at present possess of the State of Circumstances at the Time, that it was expedient that that Assistance should be given?' Your Answer was, 'Yes, I believe it was; the Committee will observe there was no Danger then from any Foreign Drain, and, under all the Circumstances of the Case, I believe the Bank acted properly.' 'Do you conceive it probable that the internal Drain on the Bank would have been increased if that Assistance had been withheld?—It is possible.' Does not that recognize a Distinction between the Course which the Bank ought to pursue in the Case of an Internal and in the Case of a Foreign Drain?—I see nothing to object to in those Answers." 2736. 2737.

Another very memorable Case occurred in the Year 1837, when the great Discredit of certain American Houses unfortunately occurred. Of this Transaction Mr. Horsley Palmer gave the following Account:—

"In relation to the Power which the Bank has of giving Accommodation without thereby aggravating Danger or sustaining Loss, it is stated in your Evidence before the House of Commons in 1840 that the large Advances given to American Houses had been at that Period almost entirely repaid. Have those Accounts been liquidated?—Not entirely at the present Time; but, as far as the Accounts have been made up, I think the Loss sustained will not exceed 200,000 *l.* 771. 772.

"And that was on Transactions of about 6,000,000 *l.*?—Yes. Those Accounts can be obtained from the Bank, if necessary, for the Information of the Committee."

"That was the Means of saving those American Houses?—There were Three of the principal American Houses that failed, but the Aid afforded by the Bank rendered essential Service to others engaged in that Trade. Almost every House connected with America was in a State of Discredit, and unless the Bank had come forward at that Period, I do not believe that there would have been more than One or Two Houses that could have sustained themselves.

"And the Bank could not have done so if the Act of 1844 had been in existence?—Certainly not."

The Committee are fully aware of the Danger which may result from such Interpositions if they take place without just Consideration, and, above all, without a strict Regard to the uniform Maintenance of the Convertibility of the Bank Note; an Obligation which should never be forgotten, or considered otherwise than as a primary Duty.

These Cases are referred to, less with a view of proving that the Bank was necessarily right in the Exercise of its Discretion on those Occasions than to exemplify the Impolicy of subjecting the Bank to an unvarying Rule depriving them of all Discretion, even when the Exchanges are favourable, as in October, and when the Convertibility of the Note cannot be affected.

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Sect. V.
The Act of 1844 applies the same Rule in Cases of an adverse and a favourable Foreign Exchange.

The Committee now proceed to examine whether the Act of 1844 does effectually discriminate between the Two Cases of favourable and adverse Exchange, which the Evidence and Authorities they have quoted prove to be indispensable, or whether, on the contrary, the Obligations of that Act are

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not uniform and identical in both Cases. This latter Proposition is deducible from the following Evidence of the Governor and Deputy Governor of the Bank.

146. "You have stated that in prudent Banking a different Line of Conduct would be pursued by a Banker on those Two Occasions; does not the Act of 1844 compel the Bank of England to act upon precisely the same Principle, whether the lessening of the Gold arises from a Foreign Demand or from an internal Drain?—The Difficulty that we have is from mixing up the Two Departments together; but certainly the Act of 1844 obliges us to act upon the same Principle, except that that which is an internal Demand may merely arise from accidental Circumstances, which will be corrected when the Foreign Import, or the Purposes for which it shall be wanted, have been accomplished, whereas the Export of Bullion would necessitate an immediate corresponding Limitation in the Amount of Notes, and therefore affect our Reserve."

It is made still clearer by the following Question and Answer, taken from the Testimony of the same Witnesses:

178. "You are under the same Obligation under the Act of 1844 to deal with your Issues precisely in the same Way in the Case of adverse Exchanges and an Efflux of Bullion, and in the Case of favourable Exchanges and an Influx of Bullion?—Yes."

During an Examination tending to show the Distinction between Exchanges adverse or favourable, the Governor of the Bank stated that there was a

283. Distinction between the Drain according as it was foreign or domestic, and

284. that this was shown in the Exchanges, and in the Demand for Bar Gold. He was asked,—

293–295. "On general Principles, what are the Causes of an internal Drain for Gold; does it arise from Money being in excess and Interest being low, or does it arise from Money being deficient for the Purposes of the Country and Interest being high?—An internal Drain may arise from Distrust in the Country, or from an increased Demand caused by an increased Want for the larger Transactions of the Country.

"Then, in these respects, an internal Drain and a foreign Efflux depend upon directly opposite Principles?—Yes.

"Does not the Act of 1844 deal with these Two Things precisely in the same Manner?—Yes."

Mr. Loyd carries his Views somewhat further, and, whilst admitting the Fact, seems inclined to express an Opinion which may be construed as an Approval of this Principle. This will appear from the following Questions and Answers:—

1376. 1450. "You consider that in its Banking Department the Bank should conduct its Banking Business in the same Way whether the Drain is for foreign or for internal Purposes?—I apprehend that the Banking Department should not look to the Causes of a Drain of Bullion, but simply look to the State of the Banking Reserve."

"The Principle of the Act of 1844 has reference purely to the Amount of Bullion at any one Time as compared with another Time, and has no reference to the Question whether that Bullion has increased or diminished by the Action of the Foreign Exchanges or from any other Cause?—The Act of 1844 substantially does not look to the Causes of an Increase or Diminution of Bullion. It merely says to the Public, If you like to have the Bullion coined, and to use it in that Form, you shall have it; if you do not like that, and like to deposit your Bullion in our Cellars, you shall have the Convenience of having Notes in its Stead."

The Conclusion to be drawn from the Authorities and Evidence cited in this and the preceding Sections is, that it is an Error to deal solely with the positive

positive Amount of Bank Notes in Circulation, excluding the disturbing Causes which may augment or diminish the Efficiency of those Notes; that to apply one identical Rule to Cases where the Exchanges are adverse, or are favourable, is an Error likewise; that in both these respects the Act of 1844 is defective, and that in consequence of these Defects it aggravated the Distress of 1847, more especially in the Months of September and October, and that it must have a Tendency to lead to the same Results hereafter whenever similar Circumstances shall arise. The Committee will conclude this Branch of the Subject by the following Question and Answer from the Evidence of the Governor of the Bank.

Sect. V. *The Act of* 1844 *applies the same Rule in Cases of an adverse and a favourable Foreign Exchange.*

148. "In those Cases where the Demand for Gold arises from an internal Panic the Bank of England is restrained in its Banking Operations by the Act of 1844 precisely in the same Manner as it would be restrained if there was a Demand upon the Bank for the Foreign Exchanges. Is not that likely to cause an Aggravation of the Evil in the Case of an 'internal Drain?'—That was the Case in October. It is impossible to legislate for a Panic. We all know that a Panic is so devoid of all Reason that you cannot legislate beforehand to meet it. It was for that Purpose that the Government issued the Letter as a Corrective at that particular Moment."

Sect. VI.—The Bank left free from Responsibility in the Issuing Department, and left free likewise to manage the Banking Department on the Principle of a private Bank.

Sect. VI. *Bank left free from Responsibility in the Issuing Department, and left free likewise to manage the Banking Department on the Principle of a private Bank.*

The Committee proceed to consider some very important Results attending the new Banking System introduced by the Act of 1844, and which appear to have produced serious Consequences to the Commercial Interests.

The Separation of the Two Departments was founded upon the Supposition that the Issue Department would be regulated by a self-acting invariable Principle, and that in the Banking Department the Directors were to be left free to use their full Discretion like any ordinary trading Company acting for the Profit of its Proprietors. This is stated by Mr. Horsley Palmer.

"The Bank was given to understand it had nothing to do with the Circulation; that the Object of the Bank was to look at the Banking Account alone. In making that Statement I beg to say that I dissent entirely from that Doctrine; but that was the Doctrine laid down for the Government of the Bank.

"And upon that the Directors have acted since the Act of 1844?—They have professed to do so."

The same View is taken of the Duties of the Bank by Mr. S. J. Loyd, as appears by the following Answer (1414): "It was distinctly stated by Sir R. Peel, when introducing the Act, that he left the Bank of England, in its Banking Capacity, untouched and uninterfered with, to manage its Affairs according to its own Discretion, like any other Banking Concern." On this Discretion the Court of Directors have largely acted, as will appear from the following Facts.

Sect. VII.—Unexampled Fluctuations in the Rate of Discounts since the Act of 1844.

Sect. VII. *Unexampled Fluctuations in the Rate of Discounts since the Act of* 1844.

478. 479. 480.

The earlier Practice of the Bank of England had been to discount at a Rate nearly fixed and uniform. From 1704 to 16th May 1839 this Rate never exceeded

Sect. VII. *Unexampled Fluctuations in the Rate of Discounts since the Act of* 1844.

exceeded Five nor was less than Four per Cent. In the Pressure of 1839 the Rate was raised for some Months to Six per Cent., but it was reduced to Five per Cent. in January 1840, and remained at Four or Five per Cent., as before, till after the passing of the 7 & 8 Vict. cap. 32. "Prior to September 1844," observes Mr. Horsley Palmer, "the Bank never reduced the Rate of Interest below Four per Cent.; though there were Occasions when the Value of Money for Discount of Bills was as low as Two and a Half per Cent. in the Money Market." (926.) The Result of this System, your Lordships will perceive, must necessarily have been to check that Fall in the Rate of Discount, when already low, which the active Competition of the Bank of England must have produced, and, on the other hand, to check the Tendency upwards which would have been the Result of a Reduction in the Number of Lenders, and of a consequent Scarcity of Money. In the one Case the Bank was kept out of the Discount Market; in the other it obtained almost the Command of that Market. In both Cases the Effect was to produce Steadiness and diminish Fluctuation.

478. This System was abandoned in September 1844, after the passing of the Act. For the Rate of Discount already described, there has been substituted a Rate which fluctuates from Time to Time; a minimum Rate has been substituted, in the Bank Notices, for a uniform one, and a Practice has been introduced of discounting Bills at the same Time at different Rates. The Accounts in the Appendix exhibit the Extent and Duration of these Fluctuations,—a Fact which is also illustrated by the following Question put to Mr. Horsley Palmer, and his Reply:—

761. "In your Experience as connected with the City of London, independently of your Connexion with the Bank of England, have you ever known such Vicissitudes in the Rate of Interest and of Discount as there have been since the Act of 1844?—Certainly not."

770. "Do you connect those great Variations of Interest in any considerable Degree with the Act of 1844; in other Words, supposing that Act had not passed, and your Banking Operations had been carried on in October upon more enlarged Principles, do you think that, considering the Resources which the Bank then had at its Disposal, and that the Exchange was favourable, you would have had that Rate of Interest?—Certainly not. I think the Bank were perfectly able after the Month of April to have continued a moderate Rate of Interest, so long as the Exchanges remained favourable, which would have tended greatly to promote the Commercial Prosperity of the Country."

The Evidence of Mr. Tooke on this Point is still more distinctly given, and is to the following Effect:—

3006. "During the Year 1847 what were the general Fluctuations in the Rate of Discount as compared with the Fluctuations in the Rate of Discount at anterior Periods of Pressure which you remember?—I never knew any Year in which there was so great and so violent an Alteration in the Rates of Discount as during the Year 1847."

Mr. Cotton states (3246), that in his Commercial Experience he never knew such a Fluctuation in the Rate of Interest as occurred in 1847.

Your Lordships will bear in recollection that the Years 1837 and 1839 were Years of peculiar Pressure.

The

The following Table, extracted from the Evidence of Mr. Browne, exhibits the Contrast between those Years and 1847: 2308.

Lowest Rate.	Highest Rate.		Difference.
1837	3½	5½	2¼
1839	3¾	6½	2¾
1847	3¼	10	6¾

He adds, "this does not give an accurate View of what the Interest of Money was in 1847, because Persons frequently paid a Commission which made it amount to 10, 20, and 30 per Cent., depending on the Time the Bill had to run, and the Pressure of Money at the Moment. The Commission charged in 1837 and 1839 was by no means to the same Extent. The Governor of the Bank states, that on the 23d of October 225,000 *l.* was discounted by the Bank in the London Market at Rates varying from 5½ to 9 per Cent." 452. Afterwards he added, in reply to the Question, Whether within his own 526. Experience or within his own Knowledge he was able to refer the Committee to any Period when the Variations in the Rate of Interest were so considerable as they were during the Period to which his Evidence applied, "I have no Recollection of a Period in which the Variations in the Rate of Interest have been so great."

The Governor of the Bank admits that such Fluctuations are of great Injury to the Country, but he attributes them, not to the Act of 1844, but to other Causes.

Respecting the Origin of these Fluctuations, the following Evidence of Mr. Tooke is most important:—

"Looking at the Phenomena we have seen with respect to the Interest of 133. 3134. Money during late Years, that at one Period the Bank has been lending Money as low as Two per Cent., while at a latter Period it was up at Ten per Cent., do not you consider those extreme Variations to be mainly owing to the Operations of the Bank of England?—Yes, I do."

"Do not you consider those extreme Variations as very prejudicial to the ordinary Trade of the Country?—I consider them to be very inconvenient."

This Evidence is supported by the following Examination of Mr. S. Gurney:—

"You are of opinion that at a Period of Difficulty and Restriction the 1108. advancing the Rate of Interest on the Part of the Bank determines the Market Rate of Interest out of doors; that the Bank, in fact, governs the Rate of Interest?—The Bank in a very material Degree does, in our Market, govern the Rate of Interest. I would not say that nothing else operates upon the Rate of Interest, but we fluctuate inevitably according as the Bank fluctuates."

But the Committee are far from wishing to lead your Lordships to the Conclusion that it has been the high Rate of Interest which has exclusively or even mainly been productive of Mischief in the Commercial World. On the contrary, it appears that evil consequences, to the full as great, are traceable to the Periods of forced Depression of Interest. Mr. George Glyn gave Evidence on this Point to the following Effect:—

"To what do you attribute that low Rate of Interest?—I attribute the low 1669. 1672. Rate of Interest which has prevailed so generally since September 1844 to the Operations of the Bank of England in the Money Market."

"Have you ever known the Rate of Interest so low as it was in the Year 1844 in the Discount of Bills?—No. I think it was lower in 1844 than in any Year within my Recollection. I think it was as low as One and a Half per Cent."

Sect. VII. *Unexampled Fluctuations in the Rate of Discounts since the Act of* 1844.

The Bank of England admit that the Principle on which the Rate of Interest is fixed is regulated mainly by the State of the Reserve in the Banking Department.

493. Morris and Prescott.

"In regulating the Rate of Interest we look of course to the State of the Reserve. We are either to increase or to diminish the Amount of the Reserve, as may be required, by raising or lowering the Rate of Interest, or by the Sale or Purchase of Securities. Supposing the Demand upon the Bank, for instance, was considerable, and more than the Bank were able to afford, it would be necessary to put up the Rate of Discount. On the other hand, if the Reserve of the Bank was increasing, and it was not thought advisable to purchase Securities, naturally the Rate would be put down. The putting up or the lowering of the Rate would be guided by the State of the Reserve, reference being also had to the Rate of Interest in the Market."

Hence, when the Reserve is high, the Bank are led to lower the Rate of Interest, and thereby the Commercial Profits of the Corporation are increased. Such was the Case up to October 1845, when the Rate of Discount was at Two and a Half per Cent. The Motive of this is stated by the Governor as follows: —

680. "The Rate was kept low for the Encouragement of your Business as a Bank, looking at the Banking Department?—Our Object was to employ the Reserve in the Banking Department."

The Management of the Discounts and Business of the Bank seems to have been profitable, as the Dividends, which had been reduced from Eight to Seven per Cent., have risen in the present Year to Nine per Cent., including Two Bonuses of One per Cent. each.

614. 616. The Effect of a low Rate of Interest could not fail to give a great additional Stimulus to Speculation of all kinds. It could not but have augmented the Facility of forming Joint Stock Companies for Railroads and other Purposes. In the former Cases it so acted, the more effectually, as the Bank of late adopted a Practice of investing its Capital in Railway Securities. The Sum of 2,481,000 *l.* was so invested, and these Securities seem by the Bank to have been substituted for the floating Debt of the Country. In 1844 the greatest Investments of this kind took place (397). This Proceeding is the more questionable, when it is considered that the Governors, in describing the Causes of Commercial Distress, have informed the Committee, "One Cause of it is, that many of those Parties have been dealing in Railway Shares. The Capital which they ought to have kept in their Business they have put out in expectation of realizing at a Profit, but Railway Shares have become nearly unsaleable, and their Capital has been locked up."

Although a Distinction undoubtedly exists between the Railroad Debentures purchased by the Bank and the Shares of Railway Companies, yet it is evident that the Purchase of these Securities by the Bank of England must have given a high Sanction and an effective Stimulus to those very Undertakings which the Committee find afterwards referred to among the Causes of the Commercial Distress.

The following Evidence given by Mr. Tooke supports this Reasoning :—

3088. 3089. "Do you think that that very great Reduction in the Rate of Interest had the Effect during its Continuance of giving a great Stimulus to the Speculation which then took place, and to the System of Trading which was then going on

on

on the Part of certain Parties?—Whenever there exist Motives to Enterprise, whether in the Shares of Joint Stock Companies or in Investments of any kind at home or abroad, a low Rate of Interest tends very considerably to promote and extend the Tendency to Speculation.

"Do you think that it had that Effect at that Period?—I think it had."

Sect. VII. *Unexampled Fluctuations in the Rate of Discounts since the Act of* 1844.

Sect. VIII.—Rates of Discounts of the Bank of England and the Bank of France compared.

Sect. VIII. *Rates of Discounts of the Bank of England and the Bank of France compared.*

Several of the Witnesses examined have drawn a Comparison between the Operations of the Bank of England and the Bank of France. The Governor of the Bank was asked, "Can you inform the Committee whether there was a corresponding Variation and to the same Extent and Degree in the Rate of Interest at Paris in connexion with the Operations of the Bank of France?" and his Reply was, "No, there was not the same Variation." 527.

The Examination of Mr. Horsley Palmer on this Subject is deserving of much Consideration. It is as follows:—

"Under its System of Issues the Bank of France has never had the Rate of Interest above Five per Cent., has it?—I believe not. 925. 926.

"So that all the Manufactures and other industrial Pursuits of France have been going on with that equable State of the Interest of Money, while our People have been exposed to the Position of having Money pressed upon them at Two and a Half per Cent. at one Time, and afterwards being in the Case of hardly being able to get it at any Price. Do not you consider that that contrasted State of Things between ourselves and our Rivals in manufacturing Industry must at last be fatal to us?—The Contrast between France and England, as regards the Rate of Interest in 1847, was very great, and I have no Doubt of the high Rates charged in England having been prejudicial. Prior to September 1844 the Bank never reduced the Rate of Interest below Four per Cent.; but there were Occasions when the Value of Money for Discount of Bills was as low as Two and a Half per Cent. in the Money Market. I particularly allude to the Period of June and July 1832."

It may be suggested, however, that this Analogy is not accurate, as the Transactions of the Bank of France are stated to be small, in comparison with those of the Bank of England. Such does not appear to be the Case in respect to the Amount of Discounts. The Committee had on this Subject the Benefit of the Experience and Knowledge of the late Lord Ashburton, whose Loss the Committee have had Reason to lament, in common with his Friends and with his Country. Lord Ashburton had stated,—

"The Transactions of the Bank of France may be said to have varied very little indeed from the Limits of Four to Five per Cent.; they never exceed Five, and they have hardly ever been under Four. Under all Circumstances they have kept that equable Rate of Interest for their Discounts and for their general Transactions. I should state that the Discounts of commercial Paper by the Bank of France, so far from being insignificant, as has been intimated, are in reality very large. I take it, that, upon the Average of Years, the Discount of commercial Paper by the Bank of France is larger than the Discount of commercial Paper by the Bank of England." 3224.

Lord Ashburton was then asked,—

"Will you explain a little more fully the Statement you made as to the Amount of Discounts afforded by the Bank of France being larger than that afforded by the Bank of England, because the Transactions of the Two Institutions certainly are not equal?" 3345.

Sect. VIII. *Rates of Discounts of the Bank of England and the Bank of France compared.*

Lord Ashburton's Reply was,—

"If we look back to the Returns, we see for a long Time about the same Amount of Discounts of Bills by the Bank of England,—2,800,000*l.*, 2,700,000*l.*, 2,800,000*l.*, 2,900,000*l.*, and so on. If you take the Average of the last Ten Years, I think you will find the discounted Bills larger in Amount in Paris than here."

It should be remembered that many of the Events referred to as producing the Commercial Distress in England were common to France likewise. That Country, also, had suffered from a great Loss of Food; she, too, had been compelled to become an extensive Importer of Foreign Grain. The Speculation and Expenditure on Railroads were likewise considerable in France. These disturbing Causes were in a greater or lesser Degree common to the Two Countries, but no Restrictions analogous to those of the Act of 1844 cramped the Operations of the Bank of France; and the Contrast between the Rate of Discount and the Interest for Money was such as has been already stated.

Sect. IX. *Errors in the Bank Management in 1846, 1847.*

Sect. IX.—Errors in the Bank Management in 1846, 1847.

The Committee have shown what unexampled Fluctuations in the Rate of Interest unfortunately occurred in 1847, and the Causes to which those Fluctuations are attributable in the Judgment of many of the Witnesses. In the Minds of several of the Parties examined, the Conduct of the Bank itself, in
607. the Exercise of its Discretion, has been on other Grounds objectionable. For a considerable Time the Rate of Discount was kept as low as Two and a Half
608. per Cent., the admitted Motive being to employ profitably the Reserve in the Banking Department, looking to it as Bankers would do, when desirous of
599. retaining a certain Amount under Discount. The Bank Rates of Discount in the Autumn of 1846 continued at Three and a Half per Cent. till the 9th
605. January 1847; they were then raised to Four per Cent., and to Four and a Half per Cent. on the 16th of January; whilst an adverse Exchange had been in operation from the 14th of November 1846, and large Importations of Grain were expected from America. The Governor of the Bank, being examined with respect to the Hesitation and Delay exhibited in raising the Rate of Discount under such Circumstances, answered,—

601. "I have no Hesitation in saying that I think the Bank would have acted more prudently if they had put it up sooner."

605. "You say that it would have been more prudent on the Part of the Bank, looking at the Exchanges at that Time, to have raised the Rate of Discount sooner?—Yes, I think so; looking also at the Probability of a large Amount of Importation from America."

The same Opinion is expressed by Mr. Gurney, who observes,—

1171, 1172. "It is my Opinion that they continued to advance Money at a low Rate of Interest too long.

"When you say 'much too long' do you mean for their own Interest, or for the Good of the Community?—For the Good of themselves and for the Good of the Community. But it is extremely easy to look back and come to such a Judgment, but not always quite so easy to look forward and judge correctly."

Of all the Witnesses examined before the Committee Mr. Loyd gives the must unreserved Opinion with respect to the Errors of the Bank Management.

His

His Evidence on this Point is so precise and definite that the Committee insert it at length, as deserving of particular Attention.

Sect. IX. *Errors in the Bank Management in* 1846, 1847.

1353. 1360–1362.

"The Course pursued by the Bank from January to April 1847, which I apprehend to have been extremely erroneous and detrimental to the public Interest, was stopped only by the positive Provisions of the Act; and if that System of Procedure had not been stopped it must have ended in the most disastrous Consequences. I think there is a very strong Ground for Charge against the Bank. In the Beginning of January the total Securities were 27,898,000 *l.*, and on the 10th of April they were 31,700,000 *l.* There was from January to April a very large Increase in the total Amount of Advances by the Bank upon Securities, notwithstanding that during that Period there was a very serious Diminution of its Bullion. This includes the private Securities, which are the more important to look at, because the Advances upon Government Securities are less within the Control of the Bank. It is in regulating the Advances upon the private Securities that the discretionary Power principally exists. The Bank continued to increase their Advances upon private Securities while there was a continuous Drain upon the Bullion."

It should, however, be kept in mind, that by the Separation of the Two Departments, as has been already shown, the Bank considered that the Responsibilities under which they had previously acted were to a considerable Extent removed; and that, as Bankers, they were left to the mere Consideration of their private Interests. In the Case referred to, it would seem manifest that the Want of timely Precaution could not fail to have aggravated the Intensity of the subsequent Pressure in April, to the great Loss of the Public and the Embarrassment of the Bank itself. In no Case is it more true than in the Conduct of a Bank, that not only should an appropriate Remedy be adopted, but that it should be adopted at the fitting Time, Delay in most Cases rendering more severe Measures indispensable.

Sect. X.—Question of Advances on Deficiency Bills.

Sect. X. *Question of Advances on Deficiency Bills.*

60.

In their Notice of the Events of October 1847, the Committee have already called your Lordships Attention to the fortunate Coincidence which at the October Quarter prevented the Affairs of the Bank from being further complicated, by any Demand from the Treasury for Advances. At that Period no Advances on Deficiency Bills were required. It is scarcely necessary to state that such Advances are made at the Commencement of the Quarter, whenever the public Balances are insufficient to meet the Demands on the Consolidated Fund, and that these Bills are subsequently paid off out of the growing Revenue as it is received at the Exchequer. There have been Occasions on which the Quarter's Revenue has been insufficient to meet these Engagements, which are in such Case carried on further, additional Bills being issued for Supply Services. On these Advances the Payment of the Dividends, and consequently the Maintenance of the public Credit, may to a considerable Extent depend; and any Interruption to the punctual Performance of these Engagements would be attended with the most serious Consequences. In the Appendix will be found an Account showing the Extent of these Advances from Time to Time. Their bearing on the Operation of the Act of 1844, and on the Commercial Distress then existing, will be sufficiently shown from the Evidence of the Governor of the Bank, and of other Witnesses.

Sect. X. *Question of Advances on Deficiency Bills.*

"Will you state what was the State of your Transactions with the Government, as relating to Deficiency Bills in the October Quarter?—I think in October there were no Deficiency Bills.

"How many were there in the October preceding?—I do not recollect.

360–362. "By the Return which is before the Committee, it appears that in the October Quarter 1846 the Demand for Deficiency Bills was 3,466,000 *l.*, and at previous Times, for instance in January 1843, it was 8,560,000 *l.* Now, supposing there had happened to be a Demand upon the Bank in the October Quarter of 1847 for the ordinary Amount of Deficiency Bills in that Quarter, in what Condition would your Reserve have stood?—The Government first of all would have apprized us that they required those Deficiency Bills; and we should also have seen, from the growing State of the Exchequer, whether those Bills were likely to be required or not. If we had thought that such Bills would have been required we should have loaned out Money for such a Period as to enable us to make an Advance upon the Deficiency Bills out of the Money which would be returned to us by the Public."

The Effect would thus have been, that, had Deficiency Bills been required in October 1847, the Amount of Accommodation then given to Commerce must have been either considerably lessened in Amount or limited in Duration. The increased Pressure and Panic that such an Operation could not have failed to create may easily be inferred from the preceding Parts of this Report. But this Question is so important, and is so vitally connected with the Operation of the Act of 1844, that it is necessary to pursue it further. The first Effect of such Demand for Treasury Advances is admitted by the Governor of the Bank, as appears by the Question and Answer 365.

365. "The Means of meeting those Deficiency Bills would have been by so arranging your Securities that you would have taken out of the Hands of the Public a sufficient Sum to meet that Advance to the Government?—Certainly."

The Evidence of Mr. Loyd is to the same Effect:—

1624. "In the Month of October 1847, when the Bank Reserve was reduced to its Minimum, what would have been the Condition of the Bank, if the average Amount of the Government Advances of Two or Three Millions had been required at that Period?—I apprehend that the Bank in that Case must have diminished its Advances in some other Form."

The same Questions were put to Mr. Norman; but in considering his Answer it is necessary to bear in mind that the Point at issue was not, whether the Requirements of the Government could or could not have been met, but whether they could have been met under the Act of 1844, except by the Sacrifice of other important Interests. Mr. Norman's Evidence is to the following Effect:—

2751. 2752. "Supposing at that Period in the Month of October, when the Government Letter was issued, there had been the ordinary Demand upon the Bank for 4,000,000 *l.* of Deficiency Bills in the October Quarter, how could that Demand have been answered consistently with the Act of 1844, the Bank's Reserve being at the Time 1,600,000 *l.*?—Of course it could not have been met if it had come on suddenly; but if the Bank had had sufficiently early Notice of what the future Demand would have been, I have no Doubt but that the Demand might have been met. We should have had some Deficiency Bills and less other Securities. The Public might have had the same Quantity of Notes, and the Bank Reserve might have had the same Amount of Notes as they had.

"How would you have met the Demand? What would have been the Proceedings of the Bank?—We must have held less Securities of other Kinds."

Mr. Cotton's

Mr. Cotton's Evidence leads to the same conclusion :— Sect. X. *Question of Advances on Deficiency Bills.*

"Would there not be a considerable Increase in the Securities which you held on the Part of the Public if you had to make an Advance on Deficiency Bills?—We had to pay the Dividends. If we had had the Money in the Till to do that, we might have increased our Securities. If we had not Money in the Till to pay the Dividends when we advanced upon Deficiency Bills, we must have reduced our other Securities. When I say the Amount in the Till, I mean a surplus Amount in the Till." 3259.

Mr. Browne of Liverpool was asked,—

"Supposing at that Period there had been a Demand upon the Bank for Two Millions of Advance upon Deficiency Bills, how could it have been provided for?"—His Answer was, "It could not have been provided for unless by sacrificing the Commercial Community by withholding Discounts." 2400.

It does not seem necessary to pursue the Subject further, or to direct your Lordships Attention more pointedly to all its important Bearings. Even conceding that no Peril to Public Credit would ensue from the State of Things described, it is easy to suggest many Cases in which an Adherence to the strict Rules of the Act of 1844 would be most difficult, if not impossible, except by resorting to Measures which, in Periods of internal Drain, would seriously affect private Credit, and cramp forcibly the Operations of the Treasury and of the Bank of England.

Sect. XI.—Limitation of the Amount of Silver by the Act of 1844.

Sect. XI. *Limitation of the Amount of Silver by the Act of* 1844

The Limitation of the Amount of Silver Bullion which the Bank is entitled to hold under the Act of 1844 has been complained of by many of the Witnesses whether their Opinions are favourable or adverse to the other Provisions of the Act. Cases are stated in which the Export of Silver has been made, and may be made in future, the Means of rectifying an unfavourable Foreign Exchange. Such is the Opinion of the Governor of the Bank.

"I consider Silver quite as available a Means for the Convertibility of the Note as Gold. We have been limited to keeping One Fifth of our Amount of Bullion in Silver. I think that Limitation is too restricted. The Silver can be readily sold in the Market, and Bank Notes obtained for it. There is no Merchandize that will sell easier than Silver. By dropping a Fraction in Price we could get Bank Notes out of the Market immediately." 342.

After Mr. Horsley Palmer had described a former Operation, effectually completed by the Bank for rectifying the Foreign Exchanges by a Remittance of Silver, he was asked,—

"Do you think that you have as much Facility under the Act of 1844 of effecting such an Operation, if it should appear desirable, as you would have if your Hands were not so much tied?—There is one material Defect in the Act of 1844, as it has always appeared to me, in the Bank being precluded from holding more than a certain Amount of Silver, with reference to the Gold in the Bank's Possession. The Bank is thereby precluded from holding a large Amount of Silver, which would in Times of an unfavourable Exchange be equally beneficial with Gold in meeting the Foreign Payments." 775.

Your Lordships will bear in mind that the legal Standard of this Country is Gold, whilst that of the Continent of Europe is Silver. In Times of deranged Foreign Exchanges it therefore seems obvious that the Export of Silver in preference to Gold should be encouraged rather than

Sect. XI. *Limitation of the Amount of Silver by the Act of* 1844.

impeded by any forced legislative Restriction. This is the more important, as, from the Mint Regulations of the United States, an unfavourable Exchange with America is equalized by the Remittance of Gold; a Fact exemplified in the Efflux of Gold in 1847, when 9,000,000 *l.* in Gold were withdrawn for Export. These Consequences are well described in Mr. Cotton's Evidence.

12.

3314–3317.

"Do you consider that there is any public Advantage connected with the Restrictions imposed upon the Bank by the Act of 1844 in relation to the Amount of Silver which it holds?—I do not think there is any public Advantage in that Restriction.

"You think it might be left perfectly free to the Bank to determine the Description of Bullion which it should hold?—I think it might.

"In particular States of the Foreign Exchanges is not the Possession of a considerable Amount of Silver Bullion a Matter of very great Convenience to the Bank?—When Silver was at such a Price that it could be purchased so as to be secure of importing Gold to a Profit it was preferred.

"You think that in that respect it would be wiser and more prudent if the Bank were left unfettered with respect to its Purchases of Silver?—I think the Bank might be left unfettered. I would state that if the Drain last Year had been for any Place but America the Silver would have gone first, and we could not have had a surplus Quantity."

The Committee add the following Extracts from the further Evidence of Mr. Horsley Palmer and Mr. George Glyn.

J. H. Palmer, 985–987.

"You stated that under the Act of 1844 the Proportion you have of Silver to Gold must be only One Fourth Part of the Gold, or One Fifth Part of the whole Amount of Bullion; do you think there is any Inconvenience arising from that Regulation?—I think there is a material Inconvenience attending that Regulation.

"Will you have the goodness to state what that Inconvenience is?—Silver being equally available for Continental Payment as Gold, and perhaps more so, it is desirable that the Bank should not be restricted to the Extent alluded to in the Purchase of that Description of Bullion, which is always marketable, and which answers every Purpose of correcting the Foreign Exchanges.

"Would not an increased Power of holding Silver Bullion in proportion to Gold tend to diminish any Danger of a sudden Change of the Foreign Exchanges?—It does not diminish any Danger from a Change in the Foreign Exchanges further than as it affords a convenient Mode to the Bank of rectifying them. It gives them the Power over an Article which is marketable, and which, being the Currency of the whole Continent, affords an equal Facility with Gold in making the Foreign Payment."

G. C. Glyn, 1286. 1287.

"Do you approve of that Clause of the Act which restricts the Bank in the Purchase of Silver Bullion?—I certainly do not. I think the Restriction to One Fifth is very inconvenient, and practically in the Spring of last Year was found so. Merchants from the Pacific, whose Returns are very much in Silver Bullion, found when it arrived last Spring that there was no Market for it here, and they had to send it over to Paris for Returns in Bills of Exchange, and when they came back there was a Difficulty in discounting. The Interval lost, which is about Six Weeks, is a very serious Thing to a mercantile House; and there is another Evil in it; supposing the Amount of Bullion held in the Issue Department to be in the exact Proportions allowed by the Act, with One Fifth Silver, and supposing that 400,000 *l.* of Notes go in taking the same Amount of Sovereigns out, that immediately alters the Proportions, and the Issue Department must necessarily sell Silver Bullion to keep the Proportions right, and thus reduce the Circulation another 100,000 *l.* to keep up the Proportion.

"Did you not hear of a Case in which a Merchant with a large Amount of Silver Bullion was unable to obtain Advances upon it?—Decidedly. He could not either obtain an Advance upon it or sell it. I could never see any Reason why the Bank should hold only the Proportion of One Fifth Silver. There can be no Reason why the Bank should not make Advances upon Silver Bullion, which they can always export to get Sovereigns back or Remittances from Paris."

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In expressing their entire Concurrence in these Opinions it is scarcely necessary that the Committee should observe that no Question of Alteration of Standard is involved in them; nor do they countenance such an Alteration of the Law as would render the Coined Silver of the Realm, depreciated as it is, compared with the Mint Price of Silver, available, by Tale, in Payments beyond a restricted Amount.

Sect. XI. *Limitation of the Amount of Silver by the Act of* 1844

Sect. XII.—Publication of the Bank Accounts, including the Reserve of Notes in the Banking Department.

Sect. XII. *Publication of the Bank Accounts, including the Reserve of Notes in the Banking Department.*

Several of the Witnesses examined have attributed the Pressure felt in 1847, and the Panic which succeeded, to the Publication of the Accounts in the Manner prescribed by the Act of 1844. The Governor of the Bank states,—

"I may state, with reference to that Part of the Act which relates to the Banking Department, that probably the Necessity which the Bank were under of publishing their Reserve of Notes had an Effect upon the Public and caused Alarm, in April; and I believe that that was one of the Causes that created the Alarm at that Time. The Dividends had just been paid, and consequently the Reserve was at a low Figure, I think about Three Millions and a Fraction. The Public were alarmed at that Amount, not considering that at that Period the Reserve goes to its lowest Point, and that in consequence of the Revenue coming in it would have continued to increase but for the Publication which caused the Alarm." 6.

"I do not wish to be misunderstood. I do not object to any Publication of the Bank's Accounts, except our Banking Reserve. I think it is right that every thing else should be put before the Public; but it is a Question whether we ought to be bound to publish our Banking Reserve more than any other Bankers in London; and I stated, at the Period when it was proposed, that my Impression was, that we might sometimes feel Inconvenience from it, because the Public would be naturally looking to it; and there might be Periods when from peculiar Circumstances our Banking Reserve might be low. We, knowing that a Turn had taken place, might know that it was safe, and yet the Public might be alarmed." 184.

Mr. Tooke was examined likewise on this Point to the following Effect:—

"What is your Opinion respecting the Publication of the Bank Accounts?—I think it is inconveniently frequent. I do not know any Advantage from it. 3144, 3145.

"You think it promotes Panic and Alarm?—Certainly; at Periods when the Bank Reserve, as we have seen, has been greatly reduced, especially at the Dividend Periods."

On this Evidence the Committee feel it their Duty to make a few Observations. In the Judgment of both of these Witnesses the Danger which they apprehend arose in 1847, from the Publication of an Account of the Bank Reserve when that Reserve was unusually low; and to this Publication, Alarm, which, as it is shown, rapidly passed into Panic, was traceable. The same Effect might consequently be apprehended hereafter, under similar Circumstances. This Alarm and Panic originated in the Restriction which prohibited any Aid being given from the Issuing to the Banking Department, at a Time when the former held a large Amount of Bullion, and when the Foreign Exchanges were favourable.

The Suggestion made by the Governor of the Bank, of publishing the whole Accounts with the Exception of the Reserve, appears wholly inadmissible. Such Accounts must practically furnish the Elements or Data from which the Amount of Reserve may, with a greater or less Degree of Accuracy, be

Sect. XII. *Publication of the Bank Accounts, including the Reserve of Notes in the Banking Department.*

deduced or inferred. If the Amount of Reserve could thus be accurately calculated, the proposed Remedy would be no Corrective of the System complained of. If the Amount of Reserve were to be inferred inaccurately, such a Proceeding would be an Aggravation of the Inconvenience rather than a safe or effectual Remedy.

It would appear more in accordance with legislative Wisdom to re-consider the Rule itself, against which there can hardly be stronger presumptive Evidence than the suggested Necessity of concealing the Consequences to which it leads.

Sect. XIII. *Remedial Measures recommended by the Witnesses.*

Sect. XIII.—Remedial Measures recommended by the Witnesses.

The Committee feel, in common with every Witness examined, the Duty and Obligation of maintaining at all Times the practical Convertibility of the Bank Note. This they consider to be the first and most essential Object, which, in all Discussions like the present, must be kept constantly in view, both by the Legislature and by those who direct the Banking Operations of this great Commercial Community. Upon the practical Enforcement of this Principle not only does public and private Credit depend, but the whole Industry of the productive Classes, and the Wages of Labour. On this Point therefore the Committee have the Satisfaction to think that there can be no Difference of Opinion. The practical Questions to be settled at present are, Whether this great Benefit is attained with Certainty? Whether it is attained by proper Means? and, Whether the Restrictions of the Act of 1844 are not attended with grievous and unnecessary Evils of a collateral Kind? Many of the Provisions of that Act are, in the Judgment of the Committee, as well as in the Judgment of the great Majority of the Witnesses, judiciously adapted to the Purpose for which they were framed. But an attempt to enforce by Law, under all Circumstances, one fixed and inflexible Rule for the Management of a national Bank of Issue seems inconsistent with the best written Authorities, with the general Principles of Economical Science, as well as with the Testimony of many Witnesses of Practical Knowledge and Experience. It can hardly fail to be productive of most serious Evils, more especially when a Contraction of Issues, indispensable in a State of adverse Foreign Exchanges, is rendered imperative, as it is by the Act of 1844, under Circumstances which may be wholly opposite. It has been shown that an Enlargement of the Issues of the Bank under a favourable Foreign Exchange, would frequently be expedient at Times when, under the Provisions of the Act, no such Enlargement would be possible, and even in Cases where by the Act a compulsory Contraction would be enforced.

It is difficult, in the Judgment of the Committee, to appeal to more demonstrative Evidence on this Subject than is to be found in the Treasury Letter of the 25th October. That Letter was a practical Repeal, by an Act of Authority, of the restrictive Clauses of the Act. It appears impossible at once to defend the restrictive Provisions of this Act, and to justify the Letter, which in this respect abrogated or at least suspended those very restrictive Provisions. The Committee consider that those Restrictions materially aggravated the Pressure, and produced the Panic, of October 1847. But even if those Restrictions were originally defensible when enacted, their Hold on Opinion, as well as their Authority in Practice, have been materially impaired by the Letter by which they were superseded,—by its acknowledged Necessity,

and

and by its undeniable Success. The Precedent is established, and its Application will inevitably be called for, on other Occasions; and it may so happen that the Principle of Relaxation will be applied under Circumstances less urgent and less justifiable than those which occurred in 1847. The Committee are therefore of opinion that it is expedient for the Legislature to provide specifically for the Manner and the Responsibility of relaxing these Restrictions in Times when it can be done consistently with the perfect Convertibility of the Note,—an Obligation which should never be forgotten. That the Contingencies under which a Suspension of the Restrictions of the Act will be called for and applied hereafter are not remote or improbable, is admitted even by those who defend the Continuance of the Act in its Integrity. Mr. Loyd evidently considers the Events which rendered the Letter justifiable as likely to be of occasional Recurrence, arising naturally out of the very Framework and Construction of the Commercial System of England. In reference to the Interposition of the Government in October 1847, he observes:— Loyd, 1554. 1557. Glyn, 1884. Cotton, 3291.

"It seems to me that the Issue of that Letter arose out of one of those peculiar Combinations of Circumstances which may occur occasionally in a Community of prodigious Activity and Enterprise, carrying on trading Operations upon a gigantic Scale, and by means of an extended System of Credit. You cannot build up in this Country an enormous and complicated System of Credit without being occasionally, under some very peculiar and extraordinary Combination of Circumstances, exposed to the Possibility of Panics seizing the Public Mind, which cannot be regulated by any systematic legislative Provisions, but which must be met, according to the Exigency of the Moment, by some extraordinary and exceptional Measure."

Sir Robert Peel's Letter, read by Mr. Cotton (3284), justifies the Inference that, in his Opinion, Circumstances will occasionally arise when these Restrictions must be suspended by an arbitrary Act of Authority.

The Governor of the Bank expresses a still more distinct Opinion that such Contingencies will not be unfrequent. His Evidence is as follows:—

"You have stated that a foreign Demand for Gold and a domestic Demand for Gold are different and distinguishable Things in their Banking Consequences. The Act of 1844 deals with those Two different Causes precisely in the same Manner. Do you think that is right?—Yes, I do. 150. 151.

"On what Ground?—When I say that I think it is right, I think that you could not make Provision in the Act for an Exception like that of a Panic which may arise once in Five or Six Years, or not even that."

To leave these Cases, when they do arise, to be dealt with by the irregular Exercise of the mere Authority of the Crown and its Advisers, setting aside "once in Five or Six Years," or even at Periods more remote, the express Provisions of a distinct Statute, appears wholly inconsistent with that Fixity and Order which it is, or ought to be, the Object of all Law to secure. The Evidence of Mr. Horsley Palmer (779–792), Mr. Gurney (1166, 1202, 1226), as well as that of many of the other Witnesses, is most material as illustrative of these Truths.

Two Suggestions have been made to the Committee: the one an absolute Repeal of the Act of 1844; the other a Continuance of the Act, accompanied by a Power of Relaxation. Believing that many of the Provisions of that Act are judiciously adapted to secure the primary Object of the Convertibility of the Bank Note, and viewing the great Balance of Evidence which has been given in favour of the second of these Alternatives, it is to that Proposition that the Committee are desirous of directing the Attention of your Lordships. It Palmer, 877.

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is true that to those who may have expected that the 7 & 8 Vict. c. 32. would effectually prevent a Recurrence of Cycles of Commercial Excitement and Depression, the Contrast between the Years 1845 and 1847 must produce a grievous Disappointment. To those who anticipated that the Act would put a Check on improvident Speculation, the Disappointment cannot be less, if Reliance is to be placed (as the Committee are confident it may) on the
525. Statement of the Governor of the Bank, and of other Witnesses, that "Speculations were never carried to such an enormous Extent as in 1846 and the Beginning of 1847." If the Act were relied on as a Security against violent Fluctuations in the Value of Money, the Fallaciousness of such Anticipation
2308. is conclusively proved by the Fact, that whilst the Difference between the highest and lowest Rate of Discount was in the calamitous Years 1837 and 1839 but Two and a Quarter to Two and Three Quarters per Cent., the Difference in 1847 rose to Six and Three Quarters. If it was contemplated, that the Number and the Extent of Commercial Failures would have been lessened, the deplorable Narrative of the Governor of the Bank, recording the
112. Failure of Thirty-three Houses comparatively in large Business, in London alone, to the amount of 8,129,000 *l.*, is a conclusive Reply. If the enormous Extent to which Railroad Speculation has been carried, be considered as an Evil to which a sound System of Banking could have applied a Corrective, such a Corrective has not been found in an Act, since the passing of which, during a Period of Three Years, an increased Railway Capital of upwards of 221,000,000 *l.* has been authorized to be raised by Parliament; and when the enormous Sum of 76,390,000 *l.* is stated, on high Financial Authority, to have been actually expended on Railways in Two Years and a Half. If the Power of obtaining Banking Accommodation on moderate Terms, were considered to be promoted by the Act of 1844, it cannot be said that this important
3303. Object has been attained, since it appears in Evidence that in 1847, in addition to an Interest of Nine or Ten per Cent., a Commission was also frequently paid, raising the Charge to Ten, Twenty, or Thirty per Cent., according to the Time which Bills had to run. The Committee are fully aware that Alternations of Periods of Commercial Excitement and of Discredit, of Speculation and of Collapse, are likely to arise under all Systems of Currency; it would be visionary to imagine that they could be averted altogether, even if the Circulation were exclusively Metallic. But it is on this Account that great Care should be taken to avoid increasing an Evil, perhaps inevitable, by any arbitrary and artificial Enactments.

The Committee are of opinion, that the Principle on which the Act of 1844 should be amended is the Introduction of a discretionary relaxing Power; such Power, in whomsoever vested, to be exercised only during the Existence of a favourable Foreign Exchange.

Several Plans have been suggested by which such a relaxing Power may be exercised, but they resolve themselves practically into Three,—a legalized Authority vested in the Government; in the Government and in the Bank conjointly; or, in the Bank of England alone. The Objection obviously existing to the first of these Propositions is, the Danger that all Governments are liable, more or less, to be influenced in such Cases by political rather than by economical Considerations. It may also be apprehended that the Exercise of an undefined and extraordinary Power would depend too much on the

Sect. XIII. *Remedial Measures recommended by the Witnesses.*

the personal Character or the political Position of the Minister for the Time being. The Second Proposition is open to other but equally powerful Objections. A divided Responsibility becomes frequently no Responsibility at all. The Government might cast the Responsibility on the Bank, the Bank on the Government, and in this Conflict the Interests of the Public would be forgotten or defeated. A Third Proposal (which in the Judgment of the Committee is preferable to either of the Two first), namely, vesting this Discretion in the Bank of England, cannot be disposed of without giving some Consideration to the Constitution of the Bank of England. The Objections which have been often urged against the Bank, more especially if intrusted with a Discretion like that now under Consideration, are a Want of Permanence and of Consistency derived from its System of periodical Elections of Governors and Deputy Governors,—the evil Consequences of filling those high and important Offices, as well as the Appointments to the Committee of Treasury, by a mere Rotation of Seniority,—and the intimate Connexion subsisting between the Directors and the Commercial World of London, which may cast on them a Degree of Pressure difficult, at Times, to be resisted. It seems further to be apparent, from the Evidence, that the immediate pecuniary Interests of the Proprietors as a Trading Company may at Times supersede or control larger and higher Considerations. This ought not to be. Whilst the Committee express this Opinion, they must guard themselves from the Supposition that they consider that the Bank ought to undertake or can perform Functions which belong to the Legislature and to the responsible Government. The first Duty of the Bank of England is, so to conduct its Affairs as to secure Means for the Performance of all its Engagements with Integrity and good Faith. Prudence and Discretion, the Application of scientific Truth to assist, and, at Times, to correct the Inferences drawn from Experience, should be its guiding Principles; but no narrow Views of the mere pecuniary Interests of its Proprietary should exclusively control its Action. To the Bank of England Parliament has confided great Privileges and exclusive Powers; for the Exercise of these Powers the Bank is responsible. In these respects the Bank of England differs from an ordinary trading Corporation; and, consequently, is bound always to keep in view the real and permanent Interests of the Commercial Classes, and of that great Community of which it forms a Part. The true Interests of the Proprietors of Bank Stock can never be prejudiced by being considered in connexion with these larger Principles.

The Committee have been informed that Steps have already been taken by the Directors themselves to obviate some of these Objections.

Mr. Cotton announces the Determination of the Court to abandon the Principle of Election by Rotation, and to recommend to the Proprietors for Election as Governor and Deputy Governor the Directors they consider best qualified for the Situation.

It is also stated that in order to secure the Services in the Committee of Treasury of a Director, the ordinary preliminary Condition of having filled the Chair was dispensed with when the Health of the Party rendered his Appointment as Governor inexpedient. In the Cases both of Mr. Cotton and Mr. Palmer, these Gentlemen were re-elected to their Offices for a double Term where a Continuity of Action was required in consequence of the pending Renewals of

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the Charter. From these Facts the Committee feel themselves warranted in entertaining a Hope that whatever further Amendments of System may be required both for the Interests of the Bank and of the Public will be favourably considered by the Directors and Proprietors, even before the Revision of the Charter, when the whole Subject would be open to the Authority of Parliament. Recognizing the Ability, Disinterestedness, and unimpeachable Integrity of that great Corporation, the Committee are desirous that any necessary Changes should be made with the least Disturbance of the present System, and with a Preservation of the honourable Position and the Independence of the Bank of England. The Committee have received from Mr. G. C. Glyn a Suggestion which they consider to be so important as to deserve Atention. That Suggestion is as follows:—

1782-1785.

"If I were to offer any Suggestion (which I should not have ventured to offer if it had not been asked from me by your Lordships), I should prefer leaving the whole Responsibility of the Circulation in the Hands of the Bank of England. I do not think there is much Advantage in a double Responsibility divided between the Bank of England and the Government. But I consider it would be well that the Bank Court should have in it certain Persons not elected by the Proprietors, who should be appointed under Act of Parliament for a limited Time, or in any other Way which may be deemed advisable, not immediately by the Government or Proprietors, and not removable by the Government, and that they should have, not an absolute Veto upon the Proceedings of the Bank Court, but that if they dissented from the Majority their Reasons for that Dissent should always be submitted in Writing, and that they should be laid before Parliament, if Parliament saw fit, from Time to Time. I think that the Introduction of these Commissioners and their Protests and Influence would exercise a very wholesome Control upon the Body of Governors, and at the same Time would not deprive them of that Power of which as representing the Proprietors it would not be right that they should be deprived.

"Would you add to those Alterations any Regulations with respect to the Management of the Currency with a view to the Exchanges, or to any other Circumstances?—I should leave that to the Court and to those Commissioners to determine as they saw fit from Time to Time.

"Do you consider that those Commissioners should be Persons not engaged in Trade?—I would rather they were not engaged in Trade. I think you might find People of Experience enough not engaged in Trade who were fit for the Duty, but would not make it an absolute Condition of Eligibility.

"Do you mean that they should be appointed for Life?—Not for Life. It is impossible to know beforehand how far a Man may be fit for a Position of that Sort, and therefore I would make the Appointment for Three Years, or for some Period, and renewable."

If the Committee considered that the Act of 1844, which they desire to see amended so far as its restrictive Clauses are concerned, was essential to the practical Convertibility of the Bank Note, they would hesitate in recommending any Change. But it should never be forgotten that the Liability of the Bank consists in its Deposits, as well as in its Promissory Notes. The legal Obligation to discharge both is the same; the Failure of either would be equally fatal. The Protection given by the Act of 1844 is mainly given to the Bank Notes, and in some degree at the Risk of the Deposits. This appears undeniable on comparing the Reserve, in the Third Week of October, with the Amount of private Deposits. Had any unfortunate Circumstance interfered with the Power of meeting the latter Engagements, or had not the Treasury Letter been written, there seems little Doubt of the fatal Consequences which must have ensued. Had it been impossible to pay the Deposits, a Discredit

Discredit of the Bank Note must have been the Consequence. Nor can it be rationally questioned but that such a Misfortune might have exposed to Risk the Convertibility of the Bank Notes.

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Before the Committee close their Report, which the extreme Importance and Complexity of the Subject referred to them, as well as the Value of the Evidence taken, has rendered necessarily protracted and laborious, they feel it right to admit, that the Conclusions to which they have come are opposed by the Evidence of Witnesses of Ability and of Experience, and entitled, on both Accounts, to Respect and Consideration. The Governor of the Bank states (4), that "nothing can have worked better than the Act of 1844 has done; and that during a Period of extreme Pressure that Act has preserved the Convertibility of the Note." This Evidence is, it is true, applied to the Issuing and not to the Banking Department; but, on a subsequent Day, the Approval of the same Witness is given with greater Distinctness. "I think the Act has worked so well," he observes, "that it is not worth the while of Parliament to discuss whether Distress has been produced by the Act or not." Mr. S. J. Loyd states (1351), "that the Act had no Effect whatever in aggravating the Pressure. It protected the Public from the additional Evil, which would otherwise have occurred, of a Failure in maintaining the Convertibility of the Notes, and the consequent complete Destruction of our Monetary System." Mr. George Norman states, "that both in Spring and Autumn 1844 the Act produced the Effect of keeping Things very much in their natural and legitimate Course" (2681); and the following Quotation expresses an Opinion still more absolute and unqualified:—

"After the Experience that you have had of the working of the Act of 1844, are you of opinion that any Alterations, and if so what Alterations, are advisable?—I can give a very unhesitating Opinion upon that Subject. I should consider any Alteration in the Act of 1844 as highly inexpedient." 2797.

Mr. Cotton's Judgment is equally strong, he having been Governor of the Bank at the Time the Act of 1844 was introduced into Parliament. His Evidence on this is as follows:—

"Did you at that Time form any decided Opinion as to the Expediency of introducing such an Act?—I did. 3162–3166.

"Was your Opinion favourable to the Introduction of the Act, or the contrary?—Very favourable.

"Having formed those favourable Anticipations as to the Act, do you consider that the Act has since that Time been attended with beneficial Consequences upon the Affairs of the Bank, and upon the general Condition of Business?—I think it has conferred inestimable Benefits, both upon the Banking Operations of the Country and also upon Business.

"No Incident has occurred during that Time to shake your Opinion in that respect?—None.

"Are you of opinion that the Existence of that Act materially affected the Proceedings of the Bank of England in the Commencement of last Year, when great Distress arose in various Branches of Trade?—I think it no further affected it than would have been the Case if it was known that the Bank acted upon sound Principles."

The Committee are far from giving these Extracts as the full Substance of the Evidence given by the Witnesses they have named. On the contrary, in that Evidence there is much Matter of great Importance, which, for a clear Understanding of the Question, should be deliberately weighed and compared with the Evidence which is conflicting, and which, in the Judgment of the Committee, appears greatly to preponderate.

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In Conclusion, the Committee think it right to add, that, whilst they feel deeply the Necessity of a sound System of Legislation for the Bank of England, and for all other Establishments entrusted with the Privilege of issuing Notes used as Substitutes and Representatives of the current Coin of the Realm, they are far from suggesting that it is upon Laws, however wisely framed they may be, that Reliance can or ought exclusively to be placed. The best Banking System may be defeated by imperfect Management; and, on the other hand, the Evils of an imperfect Banking System may be greatly mitigated, if not overcome, by Prudence, Caution, and Resolution. In the Confidence universally and justly placed in the Bank of England the fullest Testimony is borne to the Integrity and good Faith with which its great Transactions have been conducted; and the Opinion of the Committee in this respect is best shown in their Desire to see vested in the Bank a wider Discretion than they possess under the Act of 1844, — a Discretion which the increased Knowledge produced by Experience and Discussion, and in which the Bank of England can hardly fail to participate, will enable them to exercise to the Advantage of their own Corporation, to their own Honour, and to the permanent Benefit of the Public, and more especially of the Commercial Classes of England.

Sect. XIV. *Effects of the Acts of* 1844 *and* 1845 *on Scotland and Ireland.*

Sect. XIV.—Effects of the Acts of 1844 and 1845 on Scotland and Ireland.

The Committee have felt it their Duty to examine Witnesses connected with Scotch and Irish Banks. As the great Bulk of Scotch and Irish pecuniary Transactions are adjusted in reference to the London Money Market, so long as the Bank Notes issued in the Three Parts of the Empire are equally convertible on Demand into the same Coin, "the Fluctuations of Exchange "between the Countries will be generally limited by the Price at which "any given Amount of Bullion can be procured in the Circulating Medium of "the Debtor Country and converted into the Circulating Medium of the "Creditor Country, together with the Insurances and Charges of transporting "it from the one to the other." It follows that any Effects which the Act of 1844 has produced upon the London Market must have had a corresponding Influence in Scotland and Ireland. To those Countries, and to this Extent, all the foregoing Observations of the Committee apply.

Bullion Report, 1810; Report on Irish Exchanges.

But as regarding the Effects of the Act passed in 1845 for Scotland, if the Obligation which it imposes on the Banks of that Country to keep a Stock of Gold corresponding in Amount with the Excess of Circulation beyond the Maximum fixed by the Banking Returns be intended to guard against Excess of Issue, the Committee apprehend any such Danger to be imaginary. Should any Over-issue take place, as compared with the Circulation of Great Britain, it would manifest itself in the altered State of the Exchange with London, and would thereby be corrected. The Effect of the Enactment has been to compel the Scotch Banks to keep an Amount of Capital in Gold calculated at 900,000 *l.*, which the Habits of the Scotch do not seem to require for the Purposes of Circulation, and for which consequently there has not been any Preference shown, nor any effective internal Demand. Hence this Capital is to a certain Degree unproductive. Independently of the Enactments in question, this Capital might be invested by the Scotch Banks in public Securities,

rities, so far augmenting their Profits, and the Gold would either be absorbed into the Circulation of England or would find its Way into the Coffers of the Bank of England.

As between Bank and Bank in Scotland, the System adopted for the regular Exchange of their Notes is a Guarantee against any relative undue Issue by separate Banking Establishments. That System is as follows: Each Bank keeps a certain Proportion of Exchequer Bills, which are denominated Edinburgh Exchange Exchequer Bills, and twice in each Week the respective Banks meet and retire their Notes, when the Balance is settled, if the Amount be 1,000 *l.* or upwards, by Exchequer Bills, if it be a lesser Sum it is settled by a Letter of Credit on London. This System, which is a most ingenious and economical Mode of settling Banking Balances, has lately been introduced into Ireland.

Should any Bank have its Quota of Exchequer Bills reduced by this System of Exchange, it must purchase Bills from the Bank holding in Excess, and pay the Balance by Letter of Credit on London. Thus, every Bank must be prepared twice a Week to retire its Excess of Notes, and must keep Funds in London for that Purpose.

The Committee have already shown that, in relation to the more general Question, even assuming the very improbable Occurrence of a combined contemporaneous and equal Increase of Issue on the Part of all the Scotch Banks, this would be checked by the Action of the Exchange on London.

On the other hand, supposing that there should ever arise the formidable Danger of a Discredit of the Bank Note,—an Event, however, which has never occurred,—there are manifest Advantages in the more general Diffusion of Gold Coin, as a Security for Convertibility, in Scotland and Ireland as well as in England. If this were not provided for, the Difficulties of such an Exigency would be considerably and locally increased, and the Pressure on the Bank of England would be increased likewise.

No Complaint seems to have arisen in respect to the Operation of the Act of 1845 as regulating Irish Banking.

And the Committee have directed the MINUTES OF EVIDENCE taken before them, together with an Index, to be laid before your Lordships.

The following are the Papers referred to in the Report, which have been already printed by Order of the House.

Number of Sessional Paper.	
11.	Account of the Notes, Securities, Bullion, &c. of the Bank of England, as published in the Gazette, since the passing of the Act 7 & 8 Vict. c. 32., from the 24th Day of April 1847 to the present Time: Also, Account of the Quarterly Averages of the Bank of England, since the 17th Day of April 1847: And also, Returns of the Circulation of the Bank of England, and of the Banks of Issue in England and Wales, Scotland, and Ireland, from March 1847 to the present Time.
12.	An Account of all Sums advanced by the Government of India on the Hypothecation of Goods, in each of the Years from 1839 to 1846, both inclusive, with the Rate or Rates of Exchange at which, in each Year, such Sums have been advanced, and the Credit given for the Repayment of such Advances: Also, An Account of the Amount of all Bills drawn upon the several Presidencies in India respectively, by the Court of Directors of the East India Company, in each of the Years from 1839 to 1846, both inclusive, with the Rate or Rates at which such Bills were drawn in each Year, and the Number of Days after Date or Sight at which such Bills were made payable: Also, Copy of the Notification issued by the Government of India on the 5th of August 1843, with respect to the proposed Discontinuance of Advances on the Hypothecation of Goods, and of any official Report which led to the Issue of such Notification, and of all Correspondence between the Government of India and the Court of Directors, relative to such proposed Discontinuance of such Advances: Also, Copies of all Memorials or Representations addressed to the Commissioners for the Affairs of India or the Court of Directors, by Merchants in England, with respect to such Advances; together with the Replies thereto, from 1839 to 1846, both inclusive: And also, Copies of any Agreement entered into by any Company or Companies for constructing Railways in India, with the Government of India, or the Court of Directors of the East India Company, whereby any Amount of Interest is guaranteed to such Railway Company.
23.	An Account showing the Quarterly Averages of the Sums standing to the Credit of the Exchequer with the Bank of England, in each Quarter, from January 1840 to October 1847.
27.	General Weekly Statement of the Liabilities and Assets of the Bank of Ireland, from February 1841 to 8th January 1848: And also, Weekly Statement of that Portion of the Bank of Ireland Circulation, Deposits, and Bills under Discount, appertaining to the Bank Agencies, from February 1841 to 8th January 1848.
30.	Statement of the Weekly Accounts of the Liabilities and Assets of the Bank of England, as ordered by Act 7th & 8th Vict. Cap 32., from the 31st of August 1844 to the 24th of December 1847. Account of the Number of Country Bankers who have acted with Bank of England Notes exclusively, having fixed Amounts assigned, the total Amount of the Credit, and the Rate at which they have discounted, for the Years 1841, 1842, 1843, and 1844. Return of any Banks which, having been Banks of Issue previously to the passing of the Act 7th & 8th Vict. Cap. 32., have ceased to issue their own Notes, and of the Amount of Circulation of such Banks respectively; also, of any Application made by the Bank of England, under the 5th Section of that Act, for Permission to add to their Issue of Notes, in consideration of the Withdrawal of the Circulation of such Banks of Issue, and the Result of such Application. Account of the Average Circulation of Branch Bank Notes during the Years 1841, 1842, 1843, 1844, 1845, 1846, and to the latest Period of the Year 1847 to which the same can be made up, distinguishing the Amount

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30—*cont.*	Amount from each Branch Bank; and also, a Weekly Average of the same for the last Twelve Months. Account of the Average Circulation of Twenty-one Days and Seven Days Bills during the Years 1841, 1842, 1843, 1844, 1845, 1846, and to the latest Period of the Year 1847 to which the same can be made up, distinguishing the Amount from each Branch Bank; and also, a Weekly Average of the same for the last Twelve Months. Return of the several Rates at which the Banks have advanced Money on Loan or Discount, with the Date at which each such Rate has been established, and the Period during which it has prevailed, and the Amount of Money advanced under each such Rate, from the 1st of January 1847 to the latest Period to which the same can be made up. Return of all General Regulations made by the Bank of England, descriptive of the Classes of Bills of Exchange, or of other Securities, upon which it makes Advances. Return of all Loans to Railroad Companies, or on the Deposit of Railroad Stock or Bonds; also, of the Purchase of any such Stock or Bonds, stating the Rate of Interest charged in each Case of Loan, from the Period of the first Transaction of this Description to the latest Period to which the same can be made up. Account showing the Advances made on Exchequer Bills by the Bank of England for the Quarterly Charge of the Consolidated Fund, and the Weekly Repayments of the same, from January 1841. Return of all Purchases and Sales of Public Stocks or Exchequer Bills severally made by the Bank of England, in each Week since the Year 1824; and the Rates of such Purchases and Sales. Copies of the several Notices by the Bank of England for Loans, from the 25th of February 1841 to the present Time. Monthly Statement of the Gold Coin sent to and received from the Branches of the Bank of England, from the 31st of December 1840 to the 31st December 1847. Account of the Aggregate Amount of all the Notes of Private and Joint Stock Banks in England and Wales, in circulation on the last Day of every Week, from the 26th of June 1841 to the latest Period to which the same can be made up. Return of such of the English Banks issuing Promissory Notes as have made Weekly Returns of their Circulation, from June 1841 to the latest Period to which the same can be made up. Account of all Gold and Silver Coin and Bullion, distinguishing Gold from Silver, imported and exported into the United Kingdom, from the Year 1830 to the 31st of December 1846; also the same, in Monthly Returns, for the Year 1847; distinguishing the Countries from and to which such Importations and Exportations have taken place. Account of the Aggregate Amount of all the Notes of Private and Joint Stock Banks in Scotland in circulation on the last Day of every Week, from the 26th of June 1841 to the latest Period to which the same can be made up. Account of the greatest Amount of Notes in circulation in Scotland at any one Period, during the Three Years previous to the passing of the Act 8th & 9th Vict. Cap. 38. Return of such of the Scotch Banks issuing Promissory Notes as have made Weekly Returns of their Circulation, from June 1841 to the latest Period to which the same can be made up; showing the Proportion of Notes under 5 *l.* to those above 5 *l.* issued by each, as far as the same can be ascertained. Account of the Aggregate Amount of all the Notes of Private and Joint Stock Banks in Ireland in circulation on the last Day of every Week, from the 26th of June 1841 to the latest Period to which the same can be made up. Return of the Monthly Average Aggregate Amount of Promissory Notes payable to Bearer on demand, in circulation in the United Kingdom; distinguishing those circulated by the Banks of England and Ireland, and by Private and Joint Stock Banks in England, Scotland, and Ireland; together with the Bullion in the Bank of England; from the 26th of June 1841 to the latest Period to which the same can be made up. Return of the Quarterly Average Amount of Promissory Notes payable to Bearer on demand, in circulation by Private Banks in each County in

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85.	A Monthly Return of the principal Sums deposited in and withdrawn from the Savings Banks of Great Britain and Ireland, for the Years 1846 and 1847; distinguishing the Counties in which such Banks are situate, and distinguishing also, in each Case, the Amount withdrawn in Sums exceeding £ 100.

MINUTES OF EVIDENCE

TAKEN BEFORE THE

SECRET COMMITTEE OF THE HOUSE OF LORDS

APPOINTED TO INQUIRE INTO THE

Causes of the Distress which has for some Time prevailed among the Commercial Classes, and how far it has been affected by the Laws for regulating the Issue of Bank Notes payable on Demand.

TOGETHER WITH

AN APPENDIX AND AN INDEX.

Ordered to be re-printed 17th February 1857.

(16.a.)

[Commons O. 50]

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Evidence on the Commercial Distress.

James Morris, Esq. and H.J. Prescott, Esq

7th Feb. 1848.

The LORD PRESIDENT in the Chair.

JAMES MORRIS Esquire, Governor of the Bank of England, and HENRY JAMES PRESCOTT Esquire, Deputy Governor of the Bank of England, are called in, and are examined as follows:

1. (*To Mr. Morris.*) You are Governor of the Bank?
I am. Perhaps I might state that I was elected to the Deputy Chair on the 13th of April last, and I was elected to the Chair on the 31st of August, so that I have only been in the Two Chairs together since the 13th of April last.

2. (*To Mr. Prescott.*) You are the Deputy Governor of the Bank?
I am.

3. (*To Mr. Morris.*) Have you had an Opportunity both during the Time that you have been Governor of the Bank and during preceding Times, from your Acquaintance with the Affairs of the Bank, of observing the Effects produced by the last Act of Parliament for regulating the Concerns of the Bank and the Circulation of the Country, being the Act of 1844, commonly called Sir Robert Peel's?
Yes, I have.

4. Will you be so good as to state generally what you have observed as to the Effects of that Act, having reference more particularly to its Effects in the Month of April last Year, when a Crisis occurred of considerable Pressure upon the Commerce of the Country, and subsequently to the Pressure which again occurred in the Autumn of last Year?
With respect to the Act of 1844, I have no Hesitation in stating from my own Experience that nothing could have worked better than it has done. I consider that during a Period of extreme Pressure that Act has maintained the Convertibility of the Note. I am speaking of the Issue Department, of course, because the Act has nothing to do with the Banking Department of the Bank, comparatively speaking, for the Object of that Act was to place the Circulation of this Country exactly in the same Position as it would have been if the Currency had been entirely Metallic. From my Observation it has appeared to me, and from the Accounts that have been presented to your Lordships you will observe, that the Notes in the Issue Department have expanded or contracted as Bullion flowed in and out of the Bank Coffers exactly in the same Manner as would have been the Case under a Metallic Currency, and therefore I consider that the Object of the Act has been entirely answered. Notwithstanding the Distress that pervaded the Community, the Convertibility of the Bank Note has never for one single Moment been endangered.
Mr. Prescott. I concur in those Observations of the Governor.

5. (*To Mr. Morris.*) Your Opinion is then, that with regard both to the Contraction of the Currency and the Expansion of the Currency, they would both have taken place precisely in the same Mode and to the same Degree had the Currency been purely metallic?
Mr. Morris. Yes; I have not the slightest Doubt upon that Subject.

6. Then you do not consider the Operation of the Act as having at all contributed to the Severity of the Pressure with regard to the Two Periods to which the Question more particularly alluded?
I may state, with reference to that Part of the Act which relates to the Banking Department, that probably the Necessity which the Bank were under

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of publishing their Reserve of Notes had an Effect upon the Public and caused Alarm in April, and I believe that that was one of the Causes that created the Alarm at that Time. The Dividends had just been paid, and consequently the Reserve was at a low Figure. I think about Three Millions and a Fraction. The Public were alarmed at that Amount, not considering that at that Period the Reserve goes to its lowest Point, and that in consequence of the Revenue coming in it would have continued to increase but for the Publication which caused the Alarm.

7. Did it not continue to increase?

Yes. I see that the Reserve of Notes (leaving out the Coin) on the 17th of April was 2,558,000*l.*, on the 24th of April about 2,700,000*l.*, on the 1st of May 2,700,000*l.*, and then it rose up gradually.

Mr. Prescott. The Act of 1844 has, no doubt, had the Effect of altering the Period at which the Pressure took place in the Commercial World. I conceive that without that Act there would have been a Pressure and Panic, but that it would have taken place at a later Period.

8. Can you state at all the Amount and Degree of the Alteration which was occasioned by this Act as to the Time at which such Pressure and Panic occurred?

It would be difficult to form an Estimate of the exact Time, but it might have made a Difference of a Month or Two or a Week or Two. A greater Degree of Stringency took place at an earlier Period, at a Period when there was a greater Amount of Bullion in the Stores of the Bank than there has been on any former Occasion of a similar Kind.

Mr. Morris. I agree with what the Deputy Governor has stated. In former Panics the Bank have given Assistance to the Commercial World, and particularly to Parties who were severely pressed, and have allowed the Bullion to go down to a very small Amount. The Consequence has been, that they were obliged to take much more stringent Measures for the Purpose of bringing themselves into a right Position than they have been under the present Act, because the present Act has obliged them to act stringently at an earlier Period.

9. Do you think that the Effect of the Bank being so compelled or induced to act stringently at an earlier Period in consequence of the Provisions of the Act of 1844 was ultimately to diminish or not to diminish the Amount of Pressure?

I should say that it made the Amount of Pressure more stringent for the Moment, but the Pressure ceased sooner, and the Injury from the Pressure was lessened?

10. You think that in the Month of April, one particular Period of Pressure, had the Act of 1844 not existed the Pressure would have occurred later, but then possibly to a greater Extent?

My Impression is, that if the Act had not been in existence in April last Assistance would have been given to the Commercial World which the Bank would not have been justified in giving; and that, consequently, the Evil, instead of being over rapidly, as it was, would have continued for a longer Time.

11. Do you mean the Observations which you have made with reference to the Pressure which occurred in the Month of April to apply also to the subsequent Pressure which occurred in a still greater Degree in the Months of September and October?

The Pressure in the Months of September and October I consider to be a very different Pressure from that in the Month of April. That in the Month of April arose principally in consequence of the Pressure from the Export of the precious Metals, and the Circulation becoming more contracted, whereas I consider that in October to have arisen from a State of Panic.

12. Having stated your Opinion as to the Effect of the Act of 1844 upon the Pressure that took place in April, and the subsequent Distress that occurred in the Autumn of the same Year, will you state what other Causes, in your Opinion,

Opinion, affected the State of the Money Market and the Pressure upon commercial Transactions at both those Periods?

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An unprecedented large Importation of Food, caused by a deficient Harvest, required in Payment the Export of a large Amount of Bullion, to the Extent of about 7,500,000*l.*, from the Coffers of the Bank, and probably not less than 1,500,000*l.* from other Sources,—together 9,000,000*l.* From this great Reduction in the available Capital of the Country, in addition to the still larger Amount invested in Railway Expenditure, acting suddenly upon a previous high State of Credit and excessive Speculation, arose the Pressure in the Money Market. There was an Abstraction of 7,500,000*l.* from the Bullion held by the Bank, and consequently a Diminution in the Notes to that Extent. I assume that 1,500,000*l.* may have gone out from the Gold in circulation; that may be more or less, but I assume that about 9,000,000*l.* went out in the Purchase of Food in the course of the Year 1847. Then I make a Distinction between the Panic and the Pressure. The Panic began by the Failures in the Corn Trade. The Price of Wheat had risen to about 120*s.* Large Arrivals of Grain from the Continent of Europe and from America, coupled with the Prospect of an early and abundant Harvest, caused a sudden Fall in Price to about 60*s.*, with a corresponding Decline in Indian Corn. The Failure of most of the Corn Speculators followed this great Reduction in Price, and their Failure caused the Stoppage of an eminent Discount Broker having a large Country Connexion. This latter Failure, by closing one of the principal Channels of Discount between the Country and London, caused Distrust to extend into the Country. Credit became affected by these Failures, and several London Firms of high Standing also failed. Then followed in rapid Succession the Failure of the Royal Bank of Liverpool, the Liverpool Banking Company, the North and South Wales Banking Company, some private Country Banks, and the Union Bank of Newcastle, followed by a tremendous Run upon the Northumberland and Durham District Bank. To these Disasters succeeded Alarm, and an almost total Prostration of Credit. The London Bankers and Discount Brokers refused to grant the usual Accommodation to their Customers, and necessarily obliged every one requiring Assistance to resort to the Bank of England. Money was hoarded to a considerable Extent, so much so that notwithstanding the Notes and Coin issued to the Public in October exceeded by 4,000,000*l.* or 5,000,000*l.* the Amount with the Public in August, still the general Complaint was of a Scarcity of Money. Credit was so entirely destroyed that Houses trading to distant Countries carrying on their Business through the Means of Credit, by a Renewal of their Acceptances as they became due, were no longer able to meet their Engagements, and were forced to stop Payment. This was the State of Things previous to the issuing of the Government Letter in October.

13. Will you proceed to state what was the Condition of the Bank at the Time that the Government Letter was issued in October, and what you consider to have been the Effect of that Letter being issued?

The Condition of the Bank at the Time the Government Letter was issued was this: Money, as I have stated, being extremely scarce, the Bankers and the Discount Brokers refusing to give Accommodation, every one came to the Bank of England to get Bank Notes, and there seemed to be an Idea out of Doors that whether the Bank had the Notes or not they were bound to provide them, not considering that the Banking Department of the Bank of England was entirely limited in its Operations, the same as any other Banking Company, by the Amount of Reserve which it held. The 25th of October was the Day on which the Government Letter was issued. On the 23d the Notes in reserve were 1,547,000*l.*, there was 447,000*l.* of Coin in the Banking Department, making the Reserve 1,994,000*l.* The Reserve had fallen to that Amount because, being on the Saturday in communication with the First Lord of the Treasury and the Chancellor of the Exchequer, we were given to understand that the Letter which followed on the Monday Morning would be issued, and we were told not to regard so much our own Safety as to give Assistance to the Public. Under these Circumstances the Reserve went down lower than it would have been allowed to go if we had looked only to our own Position. On the Friday, which was the Day when we were acting

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without any Reference to the Government, the Reserve was 1,907,000*l.* Notes, and Coin 465,000*l.*, making together 2,376,000*l.*

14. The Minimum of Reserve was on the 30th of October?

Yes; but that was after the issuing of the Government Letter, when I consider that, comparatively speaking, the Bank was no longer responsible for maintaining the Act, as we had then the Authority of the Government that if we infringed the Act they would get us a Bill of Indemnity; but till that Period it was of course imperative upon us not to allow the Act to be infringed.

15. Was that the lowest Point of the Reserve?

That was the lowest Point. It is a singular Fact that the Publication Day was the lowest to which the Notes went down.

16. Can you state what Operation took place on the Part of the Bank between the receiving of the Government Letter and the 30th of October which tended to increase the Diminution of the Reserve?

We borrowed on the Stock Exchange upon our Consols. That is not an unusual Practice with the Bank when we want to strengthen our Reserve. We borrowed upon the Stock Exchange; that is to say, we sold the Consols at one Price and bought them back again at another, for the Purpose of taking Bank Notes out of the Stock Exchange, with the Object of strengthening the Reserve. That we did previously to the Issue of the Government Letter.

17. It appears that after receiving the Letter your Reserve continued to decline. What occasioned that Decline after receiving the Letter and the Bank acting upon it?

The Reserve went down afterwards because we were told by the Government that we were to give every Accommodation that the Public might require. I immediately sent for the principal Discount Brokers, and I told them that the Government had engaged that they would get us a Bill of Indemnity should the Act be infringed, and that therefore we should give every Accommodation to the Public. I told them that we were ready at that Moment to grant them a Million, if they required it, provided the Bills they brought us were such Bills as the Bank would discount, and that the Rate of Interest would be Eight per Cent.

Mr. Prescott. In fact we increased the Amount of our Discounts.

Mr. Morris. Before that we were entirely looking to our own Position.

18. You stated that you sold Stock in what is called "Continuation;" that is, you sold it for Money and bought it back again for Time, for the Purpose of strengthening your Reserve; when was that?

That was before the Government Letter, otherwise our Reserve would have gone down lower than it did. There was an Operation after the Letter came out to a limited Extent. We discounted for every one who came to us; we made them Advances at Eight per Cent. The Rate of Interest fell upon the Stock Exchange to about Seven or Seven and a Half per Cent.; we borrowed Money at the Stock Exchange at Seven per Cent. for the Purpose of giving Assistance to Parties who might come to us at Eight per Cent., but that was to a small Amount.

19. Will you turn to your Figures, and state when you were at your Minimum of Reserve?

On the 30th of October the Reserve that we had in the Banking Department to meet any Payment was 1,600,000*l.*

20. At that Time, when you were brought within a Million and a half of stopping Payment, what was the total Amount of Bullion in all the Departments of the Bank; supposing there had been no Separation between the Two Departments, what was the total Amount of Bullion you had in your Vaults?

£8,439,000.

21. You had only 1,600,000*l.* in the Banking Department for the Payment of your Liabilities?

Yes.

22. If anybody had called upon you for anything beyond that Million and a Half, you must have stopped Payment?

Yes, we must.

23. At that Time, supposing there had been no Separation between the Two Departments, and the Bank of England had been conducted upon its old Principle, instead of being within One Million and a Half of stopping, there would have been very nearly Eight Millions and a Half of Treasure in your Vaults?

We should have had Eight Millions and a Half of Treasure in our Vaults.

24. Is not it therefore evident that this Contrivance of the Act of 1844 put you into great Jeopardy when it came into action in proportion as it made you approach to a Period of real Difficulty, and so forced you to press upon the Circulation of the Country for the Purpose of relieving yourselves, so that, in fact, an artificial Scarcity was created by the Operation of the Law?

I should state that I find it exceedingly difficult to mix up in my Mind the Issue Department with the Banking Department, because the Act has so entirely separated them that I always consider the Two as distinct as if the one were carried on in Downing Street and the other in the Bank of England. I have always considered that the Separation of the Banking Department from the Issue Department required a much greater Degree of Attention in the Management than was required before; because, formerly, if in the Banking Department we issued more Notes or less Notes it was not of much apparent Importance. The Exchange falling below Par, a Quantity of Notes would be taken out in exchange for Gold, and the Difference would be that we should have lost a Quantity of Gold in supplying the Public with that which they required, and so long as we acted upon this Principle the Gold would have left the Coffers of the Bank, and we might have suddenly found ourselves with only Four Millions of Bullion, and we might have been obliged to take such extremely restrictive Measures then for the Purpose of gaining a sound Banking Position that the Mischief done to the Country might have been immense.

25. In one of your former Answers you stated your Opinion that this Act of 1844 has worked extremely well in the critical Position in which the industrial Pursuits of the Country have been placed during the last Ten or Twelve Months?

What I meant to state was this: separating the Issue from the Banking Department, this new Law has, under the extreme Pressure which has occurred, invariably preserved the Convertibility of the Note, which must be the first Object. With respect to the Banking Department, the Act of 1844 did not mean at all to provide for that; its only Object was to place the Metallic and Paper Circulation exactly upon the same Footing as a Metallic Circulation would be, and therefore whether there was Pressure or not, the great Object was to be quite sure at all Times that the Bank Note was convertible; and that I consider alleviated the Distress very considerably, because if, in addition to a commercial Panic, there had been a Distrust of Bank Notes, it is difficult to say what the Consequence might have been.

26. You consider that the first Duty of the Bank is to maintain the Convertibility of its own Notes?

I do not think the Bank has anything to do with that. The Act of Parliament has laid down the Law that Fourteen Millions may be issued against Securities, and that the Remainder of the Notes must be against Deposits of Bullion, and therefore the Bank has practically nothing to do with the Issue Department; the Issue Department works itself.

27. The Purpose of these Questions is not at all to criminate the Conduct of the Bank Directors, who, on the contrary, appear, in acting under the Fetters imposed by the Law, to have done nothing that it was not their Duty to do, but the Question that is put to you is, whether the Bank of England, as it existed before 1844, with discretionary Powers on the Part of the Directors to manage their own Affairs in their own Way, would not have met the recent Difficulties better than they could under the Restrictions imposed upon them by this Act?

My Impression is that under the old Act the Panic would have been prolonged; the Cure would not have taken place so soon. I think the Act has had the Effect of bringing about the Cure earlier, and of making it less stringent than it would otherwise have been.

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28. Do you consider that the Bank, at the Period of the Minimum of its Reserve, was in a safe Position?

When once the Government Letter was issued we were no longer responsible. It was a great Object with the Bank to maintain the Act, notwithstanding we had Authority allowing us to break through it. But the Period now alluded to is the Time when the Government Letter was out, and therefore, morally speaking, there was not the same Responsibility upon us.

29. The Question is not put to you with the view of ascertaining whether there was a Fault, either on the Part of the Treasury in issuing the Letter, or on the Part of the Bank in acting under it, or of the Legislature in passing the Act of 1844, but it is intended to draw your Attention to a Comparison between the Condition of the Bank under its old Constitution and that which was imposed upon it by the Act of 1844. You have stated that that Act, in your Opinion, has worked well. Now the chief Consideration with reference to the well working of the Act or otherwise depending upon the Bank being able to meet its Engagements, and not being obliged, for the Purpose of securing itself in meeting its Engagements, to pinch and cramp the Trade of the Country,—the Question is, whether the Bank found itself in the same State of Security, with a Reserve of only a Million and a Half between it and the Necessity of stopping Payment, that it would have been in if it had had Eight Millions and a Half, which you admit would have been the Case supposing the Act of 1844 had not existed?

I am speaking now up to the Time that the Government Letter was out, and therefore the Reserve went down lower than it otherwise would have gone. There is no Doubt that under the old Act the Bank might have saved itself by issuing an additional Number of Notes, but the Public were always the Sufferers for that, because as the Bank issued those additional Notes for the Purpose of protecting itself an additional Drain took place upon the Bullion, and the Consequence was that by Degrees the Bullion was reduced so low that it became absolutely necessary for the Bank to take very stringent Measures indeed for the Purpose of regaining its Position. And, therefore though it was easier to manage the Bank under those Circumstances, without reference to the Public, if you look to the Benefit of the Public I should say that the Mischief was greater under the old System than under the new one.

30. Did not the Act of 1844 first begin to be really tried in the Pressure of 1847? May it not be said that during 1844, 1845, 1846, and the early Part of 1847 it had no Operation upon the Affairs of the Bank?

The Separation of the Accounts took place in 1844.

31. Had the Act practically any Effect upon the Transactions of the Bank? Was not your Reserve of Notes during the Years 1844, 1845, 1846, and till the Beginning of 1847 so large as to dispense with any Consideration of the Limits put upon you by the Act of 1844?

We began the Separation in 1844, and the Effect of that Separation has been to show that during all that Period the Reserve of the Bank was a high Reserve in consequence of the Bullion being extremely high. In 1844 we had a very fine Harvest, and in consequence of that there was great Prosperity in the Country; Bullion was flowing into the Country, and the Consequence naturally is when Bullion is coming into the Country that the Circulation is extremely high; and our Deposits, I think, were high at that Period. The Exchequer too came in very considerably, and it is quite natural to consider that the Effect of the Act would not be felt so much under those Circumstances, because, unless the Bank had taken forcible Means to get out the Notes in reserve, it would have acted nearly in the same Way as it did under the old System; but the Moment that it came to be tested, in consequence of the Export of the precious Metals, then the Merit of the Act showed itself.

32. Do you think that the Act began to have any Operation upon the practical working of the Bank when the Distress of 1847 began?

I think we worked the Bank upon the System established by the Act of 1844 ever since 1840, though the Accounts were mixed up, because there was no Act of Parliament obliging us to separate them; but, for our own Guidance, there was a Separation. But I maintain that it was not necessary for the Bank of England in the Management of its Affairs to have this Act of Parliament.

I maintain

I maintain that the Bank was bound to act upon the Principle laid down in the Act even though the Act had not existed. I stated so at the Time the Act was passed. But I have no doubt that the Government was right in passing it, as a Security for the Public; but it did not establish any new Principle.

33. You consider that if the Act had not passed the Directors of the Bank, in pursuance of their Sense of Duty, would have had a Right to act in all respects in the same Way as the Act requires?
Precisely.

34. Will you turn to the Returns and state what the Amount of Bullion in all Departments has been?
I will begin at the 31st of August 1844. The Bullion was about 15,000,000 *l.* It went on at 15,000,000 *l.* till in October it went down to about 14,000,000 *l.*, and then it went on at 14,000,000 *l.* It seems to have gone down from 15,300,000 *l.* on the 31st of August 1844 to 14,800,000 *l.* on the 1st of February 1845.

35. Your Store of Bullion was from Fourteen to Fifteen Millions?
Yes.

36. With that Quantity of Bullion is it at all necessary for the Bank to entertain any Apprehension, or to regulate itself in any Way by an Apprehension, with respect to its Ability to pay in Specie?
Certainly not. When there is a large Amount of Bullion in the Coffers of the Bank the Circulation increases in proportion, and the Rate of Interest being extremely low there is not likely to be any Demand upon the Bank to jeopardize it.

37. Then, though the Bank was always acting, as they were bound to act, under the Regulations of the Legislature, yet in point of fact it was only when the Distress of 1847 came upon you that the Question was really tried, whether the Provisions of the Act of 1844 were wise or were not wise?
For the Purpose of maintaining the Convertibility of the Note.

38. Is it not clear that when you came to the Period of October 1847, the Time of the greatest Pressure, it was found that the Act did not answer its Purpose, but that it put you into Difficulties, though you had Bullion to the Amount of Eight Millions and a Half, and that, in point of fact, either the Government or the Bank, or some Party or other, thought it was necessary to suspend the Action of this Law altogether, so that when the Moment of Pinch came it was determined that this very perfect Law, as you have called it, must be suspended, or that the Bank might be in danger of not being able to pay its Engagements?
No. I cannot allow that the Bank was in any Danger of suspending its Payments. I will take the Reserve as it read upon the Friday night previous to the Letter being issued upon the Monday. I do not take the Saturday, because we were then acting under the expected Issue of the Letter. The Bank Reserve at that Period, the Friday, was 2,376,000 *l.* We should have had no Difficulty whatever in meeting all our Liabilities. We should not have been able to give the same Extent of Accommodation that Parties were requiring from us. Parties came and thought they had only to ask for Money and they would have it at once. We might have put into the Account a considerable Amount by selling Consols. We had going off weekly Bills to the Extent of 1,500,000 *l.*, so that by discounting even at the Rate of 100,000 *l.* a Day to give the Public some Accommodation our Reserve would still have increased at the Rate of 900,000 *l.* a Week. It is certain that in a very short Period we should have had as large a Reserve as would be necessary for our Purposes, and therefore I maintain that the Bank was never at any Period in Jeopardy. Upon that Subject I may read a Minute which was passed by the Court on receiving the Government Letter, when they agreed to act upon it in conformity to the Wish of the Government.

39. Was there any Minute of the Court previous to issuing the Government Letter?
No.

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40. The Letter was not asked for by the Court?

Decidedly not. The Minute is as follows: "At a Court of Directors at the "Bank on Monday the 25th of October 1847. Resolved,—That this Court "desires to record its Opinion that no Deviation from the Provisions of the "Act of 1844 regulating the Currency is required in consequence of any "Difficulties on the Part of this Corporation, but they consent to the Mea-"sure recommended by Her Majesty's Government upon the Grounds of "public Necessity, urged by the First Lord of the Treasury and the Chancellor "of the Exchequer." This Resolution was passed at the same Court at which I communicated the Letter of the Government, and we recorded this as an Opinion that it was not necessary for our own Protection.

41. Do you mean to say that the Government sent you down that Letter without any Communication with the Bank,—without ascertaining, either by Conference or otherwise, whether the Bank thought that a Suspension of the Act of 1844 was advisable?

I think I stated that we had already communicated with the Government upon Saturday. On Saturday we were given to understand what was to take place on Monday. The Letter came down on Monday. But either the Deputy Governor or myself, or some of the Committee of Treasury, were in constant Communication with the Government upon this Subject. The Question was put to me over and over again, whether we were able to take care of the Bank. I always stated that, so far as the Bank itself was concerned, we had no Difficulty; but that, whether Her Majesty's Government might have any political Reasons, such as the Fear of Mills being stopped, or Riots in the Country, was a Question for them to decide, and one which we could not answer.

42. When you say the Bank had no Difficulty, you mean that the Bank, if it would put an additional Pressure upon the general Circulation of the Country, might relieve itself.

What I mean to state is, that the Bank would have been able to give fair Accommodation to the Public without injuring itself; that we had about a Million and a Half of Bills which were going off weekly, which was a very large Amount; that if the Bank continued its Discount to the Extent of Seven or Eight hundred thousand Pounds a Week we should still have been adding considerably to our Reserve.

43. And you think that that Reduction could have been made without any severe Pressure upon the Circulation?

Perhaps I may be allowed to state what the State of the Circulation was at this Period, because it is very extraordinary that the whole of this Pressure arose from an extreme Panic; it was not because there was not a sufficient Amount of Accommodation for the Public, but that the Public were hoarding Notes; Bankers would not part with their Money, and Country Bankers had a large Amount of Notes sent down to them. I see that between the 25th of September and the 30th of October the Notes issued to the Public were 2,740,000 *l.* Increase; that is, the Circulation instead of being 18,000,000 *l.* was 20,800,000 *l.*; and in addition to that the Difference in the Amount of Sovereigns issued between the 14th of August and the 28th of October was Two million two hundred thousand, making an additional Accommodation to the Public of nearly Five Millions. Therefore it was not that there was not a sufficient Amount of Money to perform the Operations of Trade, but it was one of those Panics which are quite unaccountable.

44. When you say that you think that the Bank was in a State of perfect Safety with this diminished Reserve, are you aware that at the Period of the greatest Diminution the Amount of private Deposits was nearly 8,911,000 *l.*, the public Deposits being 4,696,000 *l.*? Now how can you fairly suppose that the Bank was in that State of perfect Safety which every Bank should be in with regard to so tender a Point as to the Payment of its Liabilities, when, setting aside the Government Deposits and taking only the private Deposits, you might have been called upon for those 8,900,000 *l.*, or at least a Portion of them, having only 1,176,000 *l.* of reserved Notes and 429,000 *l.* of Bullion?

We have never found the private Deposits fluctuate in any very great Degree, except in 1839.

45. If

45. If you will look at the private Deposits you will see that on the 30th of October they were 8,900,000 *l.* and on the 4th of September 6,790,000 *l.*, more than Two Millions Difference; can you then consider that you were in perfect Safety with that 1,176,000 *l.* of reserved Notes and 429,000 *l.* of Coin, having out against you a private Deposit of 8,900,000 *l.*?

The Figures stated in the Question have reference to the 30th of October, as to which I draw a Distinction, because then we were not acting upon our own Responsibility fully. I must go back to the 23d of October. It appears that our Reserve was 2,000,000 *l.* and our private Deposits at that Period about 8,000,000 *l.* That probably was increased by the Circumstance of its being about the Time that the Dividends are paid. But if the Public had called upon us to that Extent we should naturally have gone into the Market with our Securities; we should have got those Notes out of the Market which the Public were taking from us, and which they would have been extremely glad, if they withdrew them from us in consequence of the Panic, to have exchanged against Government Securities.

46. You are not aware of any Threat or any Disposition on the Part of Bankers or other Persons who are strongly impressed with the Impolicy of the present System of Management of the Bank to use their private Deposits for the Purpose of showing you the Danger in which you were placed, and forcing either the Government or the Bank to some Change in the working of the Law?

Certainly not.

47. You never heard of it?

I never heard of it.

48. But supposing that through any Circumstance whatever the private Depositors had called for Two Millions, and had merely made an Alteration in the Amount of your Deposits which actually existed before on the 4th of September, if they had so called upon you you would not have been able to pay them?

If they had put off the Demand till Four o'Clock in the Evening and taken us by Surprise they certainly might have drawn out the Two Millions; but if they had commenced with the ordinary Transactions of the Day, as they took the Deposits out, we, seeing the Reserve going down, would have got Notes out of the Market by the Sale of our Securities.

49. Do you mean by the Sale of public Stock?

Consols.

50. Supposing the Pressure came upon you in the Morning, do you think that either it would have been decent as it respects the Effect upon public Credit for the Bank to be hurrying out with a Million or a Million and a Half or Two Millions of Consols to sell for the Purpose of meeting its Engagements, or that even though that Course in Theory might have been right it could practically have been executed?

That is putting a Question to me which is extremely difficult to answer, but I should consider it my Duty as Governor of the Bank, if the Bank were placed in a State of Jeopardy, to realize our Securities to any Amount for the Purpose of keeping our Engagements with the Depositors. I was inquiring To-day of the Broker who does the Bank Business, and he stated that a very considerable Amount of Consols might have been sold at any Period with a very slight Depreciation in the Price.

51. Payable the same Day?

Payable the same Day. The Circumstance of such a very large Amount of Notes going out by the Withdrawal of Deposits assumed in the Question would have given Notes in the Market for the Purpose of being exchanged against our Consols.

52. Then are the Committee to understand that you think that the Interference on the Part of the Government by the Issue of that Letter, virtually stopping the Operation of the Law of 1844, was unwise and wrong?

I am not prepared to answer that Question. There is no Doubt that it produced the Effect of stopping the Panic. Whether the Panic might not have been stopped and righted without the Letter being issued, and what the Result might

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might then have been, I am not prepared to say. I am not prepared to say that it was a Measure to which the Government ought to have resorted; at the same Time it produced the Effect which they contemplated.

53. It removed the Distress?
It restored Confidence.

54. What was the Result immediately on the Price of the Public Funds?
Mr. Prescott. Between the 23d and the 30th they rose ¾ per Cent.

55. Seeing the Result, whether the previous State of Things arose from Panic or any thing else, can you for a Moment hesitate to say that the Suspension of the Law by that Letter was an Act of great Wisdom on the Part of the Government?
Mr. Morris. I am not prepared to say that it was an Act of great Wisdom on the Part of the Government, considering that Bullion was flowing into the Country. In all Probability a few more Failures would have taken place, and Failures have taken place since the Letter of the Government. I am not prepared to say that if the Letter of the Government had not been issued Things would not rapidly have cured themselves in consequence of the high Rate of Interest which we were charging, for the Bank was then charging Seven and a Half per Cent.; Capital was then flowing into the Country, and I believe that in a very short Period Things would have been righted without the Interference of the Government.

56. You consider the beneficial Effects which the Letter had as a Question of Time only?
As a Question of Time; and I am sure that if the Rate of Interest attaching to that Letter had not been so high as it was it would have done harm instead of doing good.

57. Supposing that Letter had been issued earlier, would it equally have had the Effect of stopping the Panic at an earlier Time?
If the Letter had been issued earlier, and if the same Rate of Interest had been attached to that Letter, it probably might. When I say earlier I am alluding to a Week or a Fortnight, for I believe that if it had been issued in April, instead of doing good it would have done harm. I consider that the Government were only justified at the last Moment in issuing that Letter.

58. When that Letter was issued had you any Expectation that you would be compelled to act under it, and to step beyond the existing Law?
There was One Period when Notes in London ran very low, and it was questionable whether we should be able to maintain the Law or not.

59. How soon after the Letter was received by the Bank were you persuaded that it would be in your Power still to obey the Law without acting on the Letter?
The Letter was issued on the 25th of October, and on the 6th of November the Reserve had got up to 2,300,000 *l.*; therefore there was then no Question about it.

60. When was it that you were apprehensive that you would not be able to maintain the Law?
It must have been between the 30th of October and the 6th of November.

61. In acting, after the Issue of that Letter, you considered yourselves bound, in the first instance, to give all possible Accommodation to the Public from your own Resources, without availing yourselves of the Right to exceed the Law?
Most decidedly it was the Object of the Bank, notwithstanding we had Permission to infringe the Law, still to maintain it; and we did maintain it.
Mr. Prescott. And at the same Time to give every possible Facility in the way of Discount to the Public.

62. After the Receipt of that Letter, except upon one Occasion, and to a small Extent, you did not take the Means that you had before by borrowing upon Consols to replenish your Reserve?
Mr. Morris. No, we did not. I think it was only to the Extent of 120,000 *l.*

63. Is not the Effect of a Panic which creates Distrust in private Banks rather to increase the Amount of Deposits in the Bank of England than to diminish them?

In ordinary Times it has that Effect, because Parties draw their Balances from private Bankers and place them with the Bank of England.

64. And they would appear to have done so at this Time, for it appears that at the Time when the Pressure increased the Amount of private Deposits in the Bank of England was increasing?

It was.

65. And therefore you had no Apprehension upon that Ground, the natural Tendency of that State of Things being rather to increase the Deposits?

It was.

66. When was the Period when you were apprehensive that the Law would not work?

I do not like to say that I was apprehensive, but I naturally felt anxious when the Reserve of Notes read only 1,177,000 *l.*, and we gave Assistance to every one that came. The Principle was not to refuse Assistance to any Parties, and if a very large Amount had been sent to us we should have been unable to maintain the Law, though it might have been only for One Day.

67. Looking back at the Practice and Condition of the Bank, and its Amount of Bullion in former Years, would not you have said that Eight Millions and a Half was a very fair Amount of Bullion for the Bank to have? Though something under what you would wish it to be, which has generally been held to be about Ten Millions, yet upon the whole would you not say that it was not an Amount to create any Alarm?

I separate the Issue Department from the Banking Department.

68. We are now dealing with the whole Question of whether that Separation was good or not. Supposing the Bank of England had remained under its old Constitution, would you have thought Eight Millions and a Half an Amount of Treasure (particularly considering that Bullion was rather coming in, and that the Drain for Bullion had entirely gone by) which ought to have created any Apprehension or Anxiety in the Bank?

I should have said that 8,400,000 *l.* was not a sufficient Amount of Bullion in the Bank.

69. Is not there a great Distinction between what you think quite sufficient and what you think enough for Safety?

I should say that Eight Millions was not sufficient.

70. Be so good as to look back to former Years and state whether Eight Millions and a Half is not more than the Average of the last Five or Six Years before 1844?

I think the Question alludes to 1837 and 1838. I recollect at that Period that certain Parties imagined that Eight Millions was sufficient for the Wants of the Bank, but the Proof was that Eight Millions were not sufficient because whenever we went down under Eight Millions, and with those Eight Millions we were giving Accommodation to the Public, we were obliged to resort to extremely stringent Measures, particularly upon one Occasion, when we were obliged to borrow of the French Bankers a Sum of Two Millions for the Purpose of righting ourselves in consequence of having allowed too large an Export of Bullion.

71. What was the Amount of Bullion in the Bank at that Period, was it Eight Millions or anything like it?

I do not recollect, but I should think it went down to nearly Four Millions.

72. Did not it go considerably below Four Millions; did it not in 1834 go down to 2,500,000 *l.*

It was the not having checked the Export that caused it to go so low.

73. Looking back to former Periods, considering the Action of the Bank as it existed on former Occasions, is it your Opinion that, supposing the Bank in the End of last October, when the Letter of the Government was issued, had been

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been subject to the same Action as at those former Periods, it would have been in the Possession of Eight Millions and a Half of Bullion?

I think not.

74. You therefore consider that the Security to the Bank and to the Public arising from the Possession of a large Amount of Bullion in its Coffers at the End of October 1847, was owing to the Action of the existing Law?

Decidedly; to the Act of 1844.

Mr. Prescott. I so far differ from the Governor that I think on former Occasions the Sum of 8,500,000 *l.* would have been considered by the Bank a sufficient Store of Bullion; and I consider that there was this Benefit resulting from the Act of 1844, that the Pressure took place while there was still what I believe to have been a satisfactory Amount of Bullion in the Vaults of the Bank.

75. Do you agree in the last Answer which the Governor gave with respect to the Amount of Bullion in October, whether or not there would have been the same Amount of Bullion in the Bank supposing it had been managed as the Bank was managed under the previous Law?

I am satisfied that there would not.

76. Would not that be dependent upon the Discretion of the Bank Directors?

Mr. Morris. If the Bank Directors had acted upon the Principle of the Law of 1844 the Results would have been the same. If they had departed from that Principle there would have been a Loss of Bullion.

77. To what Extent could you have carried the Operation of borrowing upon Consols upon the Stock Exchange?

I think we might have borrowed in the course of a few Days upon a Million of Consols.

78. What was the Rate of Interest at that Period? What is the lowest Amount at which you think you could have borrowed upon a Million of Consols?

The nominal Rate was Five and a Half per Cent., but I think the average Rate at which we were discounting was Seven and a Half.

79. Could not the Bank always borrow somewhat under the Interest at which it was lending?

That would depend upon whether there is a Demand for Money, or whether Money is plentiful.

80. You stated that you borrowed at Seven per Cent. and that you were lending at Eight?

We borrowed at Seven, because an Importation of Bullion had taken place. Bullion required Employment, and Parties were glad to lend it out.

Mr. Prescott. The Rate of Discount is generally higher than the Rate at which Money can be borrowed upon the Stock Exchange, therefore the Bank would be likely to borrow cheaper upon the Stock Exchange than the Rate at which they would discount.

81. Is it not an Operation to which you can hardly set any Limit, when the Credit of the one Party is so much better than the Credit of the other?

Mr. Morris. We borrow upon Government Credit.

82. If at a Period of great Discredit and Scarcity, when the whole of the Public are looking to Assistance from the Bank, the Bank instead of giving that Assistance comes out to borrow a Million, would not that greatly increase the Panic and the Distress?

No. We were open to the Public. The Public were perfectly satisfied that we would give them any Amount they might require at Eight per Cent. There happened to be a momentary Pause in the Market. The Rate of Interest being lower in the Market we took the Opportunity of replenishing our Reserve, for the Purpose of meeting any Demand that we might have.

83. That was after the Government Letter?

Yes.

84. You

84. You spoke of a Period, at the End of October, when there were between Eight and Nine Millions of private Deposits, and when there was a Possibility that there might have been a considerable Withdrawal of those Deposits. Now at that Time it appears that you had more than Ten Millions and a Half of public Securities. Will you state what Portion of those public Securities would have been available at that Moment as Resources for the Bank?

There were 10,600,000*l.* I think there must have been Two Millions or Two Millions and a Half in Consols and Reduced which would have been available in the Market.

85. What was the Rest?

The Remainder was dead Weight; Annuities for Terms of Years, which are not always so easily disposed of.

86. You think there would not have been much more than Two Millions available?

I think we might easily have availed ourselves of Two Millions; but then it must always be borne in Mind that the Amount coming in for Bills going off was very considerable.

87. In what Portion of your Accounts, as they appear upon the Face of these Returns, do the Amounts enter which have been invested in the Purchase of Railway Debentures?

In "Other Securities."

88. "Other Securities" include Money lent to Railways and Discounts?

Railway Debentures, and other than Government Securities.

89. What is the Amount of Reserve which you would consider a sufficient Proportion to answer the Liabilities of the Bank?

I think about One Third?

90. One Third has been stated in former Inquiries?

Yes.

91. At the End of October it appears that you had little more than 14,000,000*l.* of Liabilities. You had about 4,700,000*l.* of public Deposits, you had about 8,900,000*l.* of private Deposits, and you had Seven Days and other Bills 900,000*l.*, making a little more than 14,000,000*l.*?

Yes.

92. At that Time you had a Reserve of about a Million and a Half?

We had a Reserve of about Two Millions. I am speaking of the Time prior to the Letter of the Government. There was 1,994,000*l.*

93. You say that you had public Securities which were available for another Two Millions. That would have made Four Millions as the available Reserve which the Bank had to answer rather more than 14,000,000*l.*?

Yes.

94. Do you consider that that was a wholesome Condition of the Affairs of the Bank?

I think that 4,000,000*l.* would be sufficient for every Banking Purpose. When I say that we should have One Third I do not mean to say that we should have that invariably; sometimes it will be more and sometimes less; but I think that 4,000,000*l.* would be quite sufficient to meet every Demand upon us. Then we had a large Amount of Bills going off, which would soon have allowed us to go up.

95. You said that you thought that the Act of 1844 had worked extremely well to secure the Convertibility of the Notes; do you apprehend that there would have been any Danger of the Notes of the Bank of England not being convertible if it had not passed?

I think they would have been in Danger. On One or Two previous Occasions I think they were in Danger,—in 1825 and in 1839.

96. And you think that they would have been in Danger now but for this Act?

They might have been.

Mr. Prescott. I agree with the Governor. I think that the Pressure was not

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not so great in 1839 as it was in 1847, and therefore that the Danger in 1847 would have been greater but for this Act.

97. Was not the Pressure of this Year greater than you have ever witnessed?
My own Experience scarcely carries me back to 1825, but I should conceive that the Pressure in One or Two Weeks in 1825 was greater than in 1847.
Mr. Morris. I believe that the Pressure probably has been greater in London and in Lancashire, and probably in other Places, but I doubt whether the Pressure generally throughout the Country has been so great as it was at the former Periods.

98. Do you consider that Circumstance at all attributable to the Action of the Act of 1844 upon the private Bankers in the Country?
I consider that the Action of the Act of 1844 upon the private Bankers in the Country must have been of the greatest possible Benefit.

99. And to have preserved the Country from the Failures of Country Banks which took place in 1825?
To have preserved the Country from the Misfortunes fallen into in 1825.

100. Will you state more particularly what you consider the Action of the Act of 1844 to have been upon the Country Banks?
The Action upon the Country Banks was to limit the Amount of their Issues. They were not able to issue above a certain Amount, and therefore, notwithstanding the great temptations held out to them to advance upon Railway Shares and other Securities, they had not the Power of doing it, which they had previously to 1844.

101. Then it acted so far as a Check upon inordinate Speculation effected through the Medium of Country Banks?
Yes. The Country Banks were then limited to 8,000,000*l.*

102. Do not you think that the Experience of 1825 was in a great Measure the Reason why the Country Banks were more cautious?
No, I do not.

103. Were they more cautious in 1839 in consequence of the Experience of 1825?
I do not think so.

104. Assuming that the Pressure in 1847 has been more severe upon the Commercial World in London than upon previous Occasions within your Knowledge, should you say, considering the Distance at which we have now arrived from the Period of Pressure itself, that the Recovery from it has been more rapid, and that there has been less subsequent Pressure, than upon former Occasions?
I think the Recovery from it has been much more rapid, but it is difficult to say when the Recovery has taken place.

105. Without assuming at the present Moment that we have actually recovered from it, but looking at the Course of Affairs since October, should you say that there has been less severe Distress consequent upon the Panic than there has been upon previous Occasions?
I think that the Re-action has taken place sooner than it otherwise would have done.

106. When you say that the Recovery has been more rapid or more perfect, is not your Meaning this,—that in fact the Bank has recovered the Amount of its Bullion, that it has now got Thirteen or Fourteen Millions?
£13,800,000.

107. Of course you are acquainted with the general Commerce of London?
I am.

108. Should not you say that there has been a greater Sacrifice of commercial Capital, and a greater Destruction of commercial Fortunes, during the last Year than at any Time within your Recollection; and can the Commerce of this Country, either in its Manufactures or its general Trade, be said to have at all

all recovered from the great Injuries it has received, though the Bank may have recovered its Bullion?

We must take into consideration all the Causes. The Restriction of Circulation fell suddenly upon a previous high State of Credit and extensive Speculation. The Panic took place after Years of large Importations of Bullion into the Country; we had had good Harvests; every one was speculating to an enormous Extent; therefore it is scarcely fair to test it by comparing it with any other Period. We had the largest Import of Food in any Year, and a large Export of Gold to pay for it; we had also large Conversions of floating Capital into permanent Capital; and therefore there was never a Period at which the Action of the Bank would have had a greater Effect than upon this Occasion. Now supposing the Act of 1844 had not limited the Bank in its Operations, judging from what has formerly taken place, those large Houses which have fallen very probably would have been assisted to get through. They would have applied to the Bank for Assistance; they would have given Securities, and probably they might for a Time have been carried through. The Consequence would have been, that in the Act of carrying them through the Bank would have parted with so much of their Means that they would have been obliged to take very active Measures to bring themselves back again, and the Distress throughout the Country would have been very much greater.

109. The Question is, not as to what would have happened if the Act of 1844 had not passed, but merely as to the Matter of Fact whether the Distress and the Sacrifice of Capital, and the general Damage, both to the Commercial Character as well as the Credit of this Country, has not exceeded in the last Year any thing that in your Experience you ever witnessed?

I think in the Failure of large Houses it has exceeded, but whether it has as far as the whole Country is concerned I am not prepared to say. My Impression is, that the Damage to the Country from the Panic of 1825 was greater and more general then than any which has taken place in 1847.

Mr. Prescott. I think as many as Sixty or Seventy Country Banks failed in the End of 1825, and now there has not been a Dozen.

110. This Year there has been no Distress among the Landed Interest?

Mr. Morris. I think the agricultural Districts have escaped.

111. But the manufacturing and commercial have suffered very largely?

Very much; and One Cause of it is, that many of those Parties have been dealing in Railway Shares. The Capital which they ought to have kept in their Business they have put out in expectation of realizing at a Profit, but Railway Shares have become nearly unsaleable and their Capital has been locked up.

112. Do you think from the Statements which have been furnished to the Public of the Assets and the Liabilities of those Houses that any temporary Relief you could have afforded them would ultimately have saved them?

I have a Paper stating the Houses that have failed and what they were generally expected to pay, which would very much answer that Question. There are about Thirty-three Houses, comparatively speaking large Houses, which have failed in London; they failed to the Amount of 8,129,000*l.* The first Seven are expected to pay in full; of the other Houses there is One expected to pay 5*s.* 6*d.*, another 5*s.* 6*d.*, another 6*s.* 6*d.*, another 9*s.*, another 11*s.*, another 12*s.*, another 8*s.*, another 3*s.*, another 5*s.*, &c. The Result is, that with respect to a large Majority of those Houses no Assistance would have been sufficient to carry them through those Difficulties.

113. Is the Average above 12*s.*?

With the Exception of the first Seven, which are expected to pay in full, it is believed that the Average will not be more than 6*s.* 8*d.* in the Pound.

114. With respect to many of those Houses, the Knowledge you probably had of their Position would have induced you not to extend to them the Relief they asked?

As to some of those Houses we had no Idea of the Condition they were in.

Mr. Prescott. On the Investigation which always takes place before the Governors when a House applies for Assistance, I believe that most of those

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Houses would not have been able to make such a Display of their Affairs as would have justified the Bank in assisting them.

115. The Effect of your not being able to afford the Relief which, under ordinary Circumstances, you would have given to those Houses was, to bring on the Failure at the same Time of so many Houses; but, had you given the Relief, that would not have prevented the Evil altogether; it would merely have postponed it?

Mr. Morris. I think it would have merely postponed it.

116. Have not many of those Houses which have failed failed in consequence of the Depreciatlon of their Property arising from this very Distress, and the Monetary Panic which has taken place?

I cannot say that.

Mr. Prescott. Several of them were Houses concerned in the Corn Trade, and they have been ruined by the Depreciation in the Price of Corn, in consequence of the excessive Supply attracted by the very high Price.

117. Will you state from your own Knowledge and Observation, as far as you can, what are the Description and Class of Houses which have suffered the most during the late Pressure?

Mr. Morris. I think I should say, first of all, naturally the Houses which have suffered most were Houses engaged in the Corn Trade; they suffered to a very considerable Extent. Then I see the India Houses suffered considerably, particularly those concerned with the Mauritius; also Houses connected with South America.

118. Were there any West Indian Houses?

I do not see any West India House.

119. To what do you attribute particularly the Failure of the East India Houses?

I think the System of trading almost exclusively upon Credit.

120. With respect to those Seven that will pay in full, to what Amount are their Liabilities?

Mr. Prescott. Excluding those of a Bill Broker, amounting to 1,700,000 *l.*, the others would be about 1,200,000*l.*

121. Do you think that any of those Houses that have stopped Payment might have gone on if they had chosen to make greater Sacrifices by sending into the Market the Securities which they held?

Mr. Morris. I have no Doubt that some of them might.

122. Do you consider that an honourable Way of transacting Business?

Certainly not.

123. Can you say whether that has not been the Case in other Instances in other Parts of the Country?

No, I cannot.

124. You stated that the Panic took place earlier, and that at the same Time the Recovery from it has been more rapid, in consequence of the Act of 1844. Do you conceive that, under every Circumstance, it was absolutely necessary that such a Panic should arise?

Certainly not. I think it was absolutely necessary that a certain Stringency of the Circulation should take place in consequence of the large Export of precious Metals; but the Panic arose in consequence of all those Failures. It was not at all necessary. If the Public had not been Panic-stricken they would not have hoarded Notes; there was no Necessity for that whatever.

125. If there had not been that Necessity for Stringency upon the Circulation which was imposed by the Act of 1844, is it not possible that the Panic might have been escaped altogether?

It is difficult to say what is possible; but what is probable is, that the Stringency not having taken place a large Export of the precious Metals must have followed as a matter of course; the Consequence would have been that greater ultimate Stringency would have taken place.

126. Had

126. Had not the Demand for the Export of Bullion ceased a considerable Time before the Panic took place?

Bullion was coming into the Country in August, September, and October 1847. Before the Panic had taken place Bullion was coming in to a small Amount. From the 1st of August to the 30th of October 1,373,000*l.* was purchased by the Bank.

127. Then the great Demand for the Export of Bullion ceased in the Month of August, and it began to come in?

I can tell better by the Rate of Exchanges. I think the Export ceased to America about the 14th of August; after that there were continually small Sums going out, but nothing to speak of; then after the 14th of August Gold was coming in from the Continent.

128. And it has continued to come in ever since that Period?

It has continued to come in ever since.

129. Would then a Delay of the Panic for any given Period, say Two or Three Months, have placed much more Bullion in the Coffers of the Bank than existed on the 23d of October?

Supposing the Panic had not taken place at the Period it did, and the Bank had had more Time to turn round, I think that any Interposition on the Part of the Government would have been unnecessary, because when the Letter was issued the Observation was, "Only give us a Fortnight or Three Weeks "more, the Influx of Bullion will be so great that it will not be required; "Confidence will be restored."

130. But the Turn as to the State of public Distress did not take place till the Letter was written, or till it was known in the City that the Letter was coming?

The Restoration was instantaneous with the Publication of the Letter.

131. In what Manner did the Letter effect the Restoration?

Because there was an Idea that Money was likely to be extremely scarce, and many Parties were hoarding it. The Moment they heard they could get Bank Notes of the Bank of England without reference to the Rate of Interest then they ceased to hoard; and also, I believe, that the high Rate of Interest prevented Parties from going on hoarding; Money became so valuable that that which they would have hoarded under other Circumstances flowed into Circulation.

132. Then, in your Opinion, if the Panic had been delayed for some Months the Bullion in the Coffers of the Bank might have been sufficient to prevent the Stringency which they placed upon the Circulation?

I think that if the Panic had been delayed, the Exchanges having turned and Bullion coming into the Country, the additional Amount of Bullion in the Issue Department would have caused an additional Amount of Notes, the Circulation of which might have prevented the Panic.

133. Then if the Act of 1844 had not been in operation, as the Panic would have been longer delayed, there would have been a Chance of escaping it altogether?

My Opinion is, that without the Act of 1844 the Exchanges would not have turned so as to bring in Bullion; that if the Bank, acting without considering the Principle of the Act, had gone on issuing Notes the Exchanges, instead of having turned in favour of this Country, would have been against us, and we should not have been in a Position to receive Gold.

134. Supposing the Exchanges had turned, the Effect would have been such as you have described?

But, under those Circumstances, the Exchanges would not have turned, because when the Circulation is increased here, and the Rate of Interest is low, I know from Experience that Bullion will go out of the Country, and therefore with an increased Circulation and a low Rate of Interest it is impossible that Bullion could come into the Country, and the Exchanges would have been against us.

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135. Would not the Circumstance of the Bank having afforded its usual Amount of Circulation have left the Exchanges in their former State? The Exchanges had been deranged by the vast Importation of Food; that vast Importation of Food having ceased, would not they naturally have recovered themselves?

If left entirely to themselves they would, but any Interference on the Part of the Bank would have prevented it; and under the Act of 1844 it was impossible to interfere with them, so far as the Issue Department was concerned.

136. Would the Bank necessarily have interfered with them without the Act of 1844?

It would have rested with the Discretion of the Directors. I cannot say.

137. You stated that the Exchanges turned, and that there was an Influx of Bullion as early as the Month of August. Now it appears by these Returns that, notwithstanding that, there was a gradual Diminution of Bullion in the Issue Department of the Bank from that Time down to the End of October; how do you account for that?

I have stated that there was an Internal Demand. I think that 2,200,000 Sovereigns went out into the Country in consequence of the internal Demand, and therefore the Bullion in the Bank decreased, although the Importation had taken place.

138. For what Purpose did that domestic Drain take place; was it for the Banking Establishments in the Country, or for hoarding?

It might have been either the one or the other.

139. Was there at the Time a great Demand from Scotland?

At one Period there was a Demand for Gold from Scotland and Ireland, but whether at that particular Period I do not remember.

Mr. Prescott. A great deal went to Scotland in October.

140. Was there a Demand for Bullion from Scotland before the Issue of the Letter of the Government?

Mr. Morris. I should say there was.

141. In a former Part of your Examination you stated, that you think that the Interposition of the Government, if it had taken place in April, would have been attended with mischievous Consequences which did not result from it in the Month of October. What were the distinguishing Circumstances in the State of the Bank in April and in October which bring you to those opposite Conclusions?

My impression is, that the Pressure in April arose out of a Panic, or rather Alarm, created by the Publication of the Bank's low Reserve, and also by the general Pressure for Money. That ceased. But in October I should distinguish that there was a regular State of Panic.

142. What was the State of the Foreign Exchanges in April, and what was it in October?

The Exchanges in October, I see, were favourable for the Importation of the precious Metals. In April 1847 Gold was going to America.

143. Do not you think that the Management of the Bank with respect to the Amount of its Issues and the Facility of Discounts ought to be upon a different Principle when the Exchanges are adverse and when they are favourable?

When the Exchanges are adverse and Gold is going out of the Country naturally the Bank cannot help taking Measures to protect themselves, because it acts upon their Reserve, and therefore naturally it would induce more Caution.

144. Independently of the Act of 1844 altogether, and looking at the prudential Management of the Bank, do you not consider that it would be expedient to be cautious and restrictive in the Amount of Banking Accommodation given when the Exchanges are adverse; and that on the other hand there might be a freer Management of the Banking Resources when the Exchanges are favourable?

I should say that when the Exchanges are against the Country, and Gold is going

going out of the Country, we should naturally be cautious because we feel the Effect almost immediately. With respect to the other Question, which I understand to refer to October,—the Period when Gold had been coming into the Country,—I should say that we had then internal Distress acting against us, and therefore there would not be the same Circumstances that might guide us as upon other Occasions; but the internal Demand taking place, we were equally bound to provide for that as for the external Demand. We are talking about Gold, but I consider that in the Banking Department we have nothing to do with that. I look at the State of our Deposits and other Liabilities, and the Reserve in the Banking Department.

145. The Question refers to the general Principles of Banking Management; supposing the Bank were altogether free from the Obligations of the Act of 1844, would not you as a Banker feel it expedient to act with more Caution with respect to your Banking Reserve at a Time when there was a foreign Efflux of Gold than at a Time when Gold was coming in?

Decidedly.

146. You have stated with reference to these Accounts that it is perfectly consistent with the Fact that there was an Influx of Gold coming from abroad, and that at the same Time there was a Drain upon the Banking Reserve for internal Purposes; you have also stated that in prudent Banking a different Line of Conduct would be pursued by a Banker on those Two Occasions; does not the Act of 1844 compel the Bank of England to act upon precisely the same Principle, whether the lessening of the Gold arises from a foreign Demand or from an internal Drain?

The Difficulty that we have is from mixing up the Two Departments together; but certainly the Act of 1844 obliges us to act upon the same Principle, except that that which is an internal Demand may merely arise from accidental Circumstances, which will be corrected when the foreign Import, or the Purposes for which it shall be wanted, have been accomplished, whereas the Export of Bullion would necessitate an immediate corresponding Limitation in the Amount of Notes, and therefore affect our Reserve.

147. Supposing an internal Demand for Gold to arise, to what Causes would you attribute it?

I consider that the large Number of Persons employed upon Railways last Year was one Cause of a very largely increased Amount of Gold Circulation in the Country. I think also that the Circumstance of the Bankers wishing to provide themselves with Gold in Times of Distress was another Cause. I believe with respect to the Northumberland and Durham Bank that at the Time the Run took place upon it, although they had a Right to give Bank of England Notes, the Parties demanded Gold, and they paid them in Gold.

148. In those Cases where the Demand for Gold arises from an internal Panic the Bank of England is restrained in its Banking Operations by the Act of 1844 precisely in the same Manner as it would be restrained if there was a Demand upon the Bank for the Foreign Exchanges. Is not that likely to cause an Aggravation of the Evil in the Case of an "internal Drain?"

That was the Case in October. It is impossible to legislate for a Panic. We all know that a Panic is so devoid of all Reason that you cannot legislate beforehand to meet it. It was for that Purpose that the Government issued the Letter as a Corrective at that particular Moment.

149. Do you think that an internal Drain for Gold is always more or less connected with Panic?

Not always. I see that from the 1st of September 1844 to the 31st of December 1847 the increased Issue of Sovereigns to the Country amounts to 8,427,000 *l.* Probably the Scotch and Irish Banking Acts coming into operation must have absorbed a great Amount, and the large Amount of Expenditure on account of Railways has caused this enormous Increase.

150. You have stated that a foreign Demand for Gold and a domestic Demand for Gold are different and distinguishable Things in their Banking Consequences. The Act of 1844 deals with those Two different Causes precisely in the same Manner. Do you think that is right?

Yes, I do.

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151. On what Ground?

When I say that I think it is right I think that you could not make Provision in the Act for an Exception like that of a Panic which may arise once in Five or Six Years, or not even that.

152. Substituting the Words "internal Drain" for "Panic," what would you say?

I should want to know what I am to understand by "internal Drain." Here when the Increase was 8,427,000 *l.* it was gradual, it went into the Country because the Country required increased Circulation, and therefore we find that notwithstanding the large Amount of Gold purchased by the Bank during this Year the Amount of Bullion in our Vaults did not increase, because this Gold went into the Interior and acted the Part of Bank Notes. It did not arise from internal Discredit, but it arose in consequence of a necessary Expansion of the Circulation, and therefore we received an Addition by Importation from other Countries.

153. By "internal Drain" is meant a Demand upon the Bank for the precious Metals at any Time when the Exchanges being in favour of England do not admit of the Export of the precious Metals with a Profit. Defining the Question in that Way do you think that that is a State of Things which is to be met by the Bank with the same Remedies and the same Operation that would be applicable to a State of Demand for Gold from foreign Countries?

Putting aside internal Panic I should say precisely. The Effect of the Withdrawal of a certain Amount of Gold from the Coffers of the Bank will be to take from Circulation a certain Amount of Bank Notes; the Consequence will be, that the Exchanges will rise, and an additional Quantity will come in to supply it.

154. Taking the Subject of a Panic into account, would you limit your Answer, or leave it the same?

Considering the Subject of a Panic, I would leave it to be dealt with exactly as it has been dealt with upon the late Occasion. Nothing but the greatest possible Emergency should induce any Interference.

155. You are aware that the Acts deal with the Withdrawal of Gold under the Two different Sets of Circumstances in the same Way with respect to Banking Operations whether the Drain comes from without or from within?

Yes.

156. When there is a Panic the Demand upon the Bank for Gold necessitates the curtailing of the Circulation?

Yes.

157. Is not that calculated greatly to augment the Panic, and to increase the Danger?

No; you merely substitute the Circulation of Gold in the Country in lieu of Notes. The same Amount of Circulation exists in the Country, but the Public have exchanged Gold for Notes. I am putting aside Distrust.

158. Will you have the goodness to say whether you consider that the Act of 1844 can be relied upon as a Means of meeting Times of Panic, except by resorting to the discretionary Powers and Interposition of the Government in order to meet those extreme Cases which may arise?

I think it would be very dangerous to give that Power to the Government, because the Difficulty would be to withstand when the Pressure comes from without. I was called upon in April to wait upon the Government for the Purpose of trying to induce them to give way. I stated that I was perfectly ready to accompany the Deputation, but that I should do every thing in my Power to prevail upon the Government not to give way, because I thought it would be injurious, and I still think so; but when they came to such a Pressure as took place in October then I am sure the Government only interposed because they thought they should not be justified if they had not done so. If the Legislature had given them the Power of doing it I think they would have been forced to give way sooner.

159. Do not you think it is within the Range of Probability that the same Concurrence of Circumstances which produced the Pressure of last Year may recur?
I should think not for a considerable Number of Years.

160. But still it may recur?
It may recur, of course.

161. You think it safer to rely upon an extraordinary Effort of the Government acting on its own Responsibility in the event of such a Recurrence taking place than to endeavour to anticipate such a Recurrence by a Provision adapted to it?
Decidedly.

162. Does not it come to this, that the Law is to be regarded as a Law which is to be cancelled and nullified the Moment it comes into operation?
I think we can scarcely call last October the Moment it came into operation. That was a Period when the Pressure had risen to so great a Height that a Number of People, and I believe some London Bankers among others, went up with Deputations to Government stating that unless they had that Assistance they could not go on.

163. Was not the Repeal of the Law entirely successful?
The Government Letter of the 25th of October certainly stopped the Panic. Whether it might not have been stopped if the Letter had not been issued I am not prepared to say.

164. But in point of fact it did entirely stop the Panic?
It did.

165. And having limited the Amount of Interest to Eight per Cent. there was little Demand upon you for Assistance?
Very little, comparatively.

166. It appears that in the subsequent Quarter after that Period the lowest Amount of the Reserve (which Reserve may be said to be the real Treasure of the Bank for the Purpose of regulating its Conduct) was, in round Numbers, 1,100,000*l.*, and that it gradually rose to 2,000,000*l.*, 2,700,000*l.*, 4,200,000*l.*, 4,900,000*l.*, 5,500,000*l.*, 6,400,000*l.*, 7,500,000*l.*, 7,700,000*l.*, showing a successive Advance in every Week afterwards arising from the City being relieved from the Apprehension of the Inability of the Bank to give them Relief in consequence of the Operation of the Law?
I would not say the City but the whole Country. I see that our Reserve rose up rapidly, but at the same Time the Balance in the Exchequer was increasing very considerably. The Balance in the Exchequer when we were at the lowest on the 30th of October was only 3,000,000*l.*, and it rose on the 24th of December up to 8,000,000*l.*, therefore that would naturally cause a considerable Increase in our Reserve.

167. The Money which the Exchequer paid in must have been Money taken from the Public, so that the Relief to Trade was really caused by their being delivered from the Apprehension of the working of the Act?
The Panic having ceased, and the Amount of Circulation being much larger than was necessary for the Wants of the Country, permitted the making of those large Payments into the Exchequer without the Difficulties which might otherwise have occurred.

168. You have answered several Questions with respect to Panics calling for Bullion for the internal Circulation of the Country. Have not there also been Panics calling merely for Bank of England Paper for the Circulation of the Country?
Decidedly.

169. According to the Regulations by which your Issues of Paper are governed, is not the Effect of the Restrictions just the same whether the Demand is for Bank Notes or for Bullion. If there is a Panic in the Country from any Discredit in the Country, and that Discredit is relieved by Bank Paper,

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Paper, does not it affect your Reserve just the same as if they took Gold from you?

No, for this Reason, that if they take Bullion they take it out of the Issue Department, and therefore it affects our Reserve in proportion as it affects the Reserve of every other trading Person; it reduces the Amount of Notes in Circulation; but that is merely a Substitution of Gold for Bank Notes. If the Circulation had been Twenty Millions of Notes and Ten Millions of Gold, if they had called upon us and sent in Two Millions of Notes, and had taken out Two Millions of Gold, there would have been Eighteen Millions of Notes out and there would have been Twelve Millions of Gold; the whole Circulation of the Country would have remained just the same; but if they take out Bank Notes bonâ fide from our Reserve they weaken our Reserve by so much; it makes all the Difference.

170. You are aware that the Panic in 1825 was a Panic arising from great Failures of Country Banks, and that it was relieved by the Emission of an increased Amount of Paper, to the Extent of Four or Five Millions. But under the present Law of 1844 if you issue Paper and increase your Amount of Notes from 20,000,000 *l.* to 25,000,000 *l.*, or any other Amount, does not that Increase of your Notes go immediately in reduction of your Reserve, and therefore affect your Reserve just in the same Manner whether you advance it in Notes or in Bullion?

I have stated before that the taking out of Bullion merely affects the Issue Department. It merely affects our Reserve in common with the Reserve of every one else. But when you come to take Bank Notes out of the Banking Department that bonâ fide is taking so much out of our Banking Reserve. But with respect to the Comparison of 1825 and the present Period it must not be forgotten that although the Bank of that Time made very large Issues of Bank Notes for the Purpose of sustaining the Credit of the Country, a very large Amount of Country Paper had been entirely annihilated, and that therefore that which the Bank of England did was merely to supply that partial Annihilation of the general Circulation of the Country.

171. Is not it within your Knowledge that much of that Issue which took place in 1825 was practically returned to the Bank without having gone into the general Circulation?

That is before I was in the Direction, but I have heard that stated. I think I may say the same thing upon the late Occasion. It was found that a great many Parcels of Bank Notes sent down into the Country were returned in the same State in which we sent them, showing that they were taken only for Precaution.

172. Is not the Rapidity of Circulation of Promissory Notes issued by the Bank totally different in a Time of Panic and Disturbance of Credit from what it is in a Time of Prosperity and rising Prices?

Yes.

173. During a Time of Panic may not a larger Amount of Notes be issued without producing any unfavourable Effect upon the Exchanges than could be issued without Injury at a Time when they went into more active Circulation?

Provided you could be quite sure that the Parties to whom those Notes were issued would not make use of them, provided the general Circulation was not increased, that is to say, if the additional Notes issued were hoarded by the Parties and not made use of.

174. That was in fact the Effect during the late Pressure?

Yes.

175. And you have no reason to doubt that which has been stated upon the highest Authority, that the Result in the Year 1825 was similar,—that the Notes came back again with the Parcels unbroken?

Yes.

176. Do you think that the Restoration of public Confidence at such Times is a Matter of great Importance to the commercial and the general Interests of the Country?

Decidedly.

177. Under

177. Under the Act of 1844 are you not restrained from issuing your Paper even though you might certainly know that it would not go into active Circulation, but that it would be used only for the Purpose of restoring confidence? Are you not subject to the same Regulations as if it would go into most active Circulation under all possible Circumstances?
Yes.

178. And you are also under the same Obligation under the Act of 1844 to deal with your Issues precisely in the same way in the Case of adverse Exchanges and an Efflux of Bullion, and in the Case of favourable Exchanges and an Influx of Bullion?
Yes.

179. Do you think that that is a Law which upon Principle, as far as those Observations go, can be defended?
Certainly. I consider that if the Act of 1844 had not passed we, acting upon sound Banking Principles, ought to have acted exactly upon the Principles which that Act has enforced upon us. If it was necessary to depart from them that Discretion was exercised by Her Majesty's Government; but it was a Departure from the Principle, and not carrying out the Principle.

180. You must admit, whatever may be your Admiration of the Act of 1844, that it cannot be said to be an Act which prevents the Recurrence of Panics and Distress?
With respect to my Admiration of the Act of 1844 I merely look upon it as working well. If any other Measure can be suggested that will work better I shall be ready to abandon the Act of 1844 immediately.

181. Was it not passed with the view of making future Panics and Distress impossible?
The Intention of the Authors of the Act was to put the Circulation of the Country upon a sound Basis, to make its Action resemble as nearly as possible that of a Metallic Currency, and, so far as that goes, it has answered every Expectation. As to saying that when you have a sound Currency the Transactions of the Country shall all be sound, it is impossible that any Act can secure that, or provide against the contrary.

182. Do you think that the Knowledge which the Public have, that in a Time of Panic the Directors are bound by this Act not to take into consideration the peculiar Circumstances of the Case as to whether Money is hoarded or not, does not aggravate the Evil?
I should say the contrary. I should say that the Knowledge that the Bank is obliged to act upon sound Principles would rather restore Confidence, because the great Merit of this Act by assimilating the Currency to a Metallic Currency is, that when Money is dearer here than on the Continent Capital will come here; on the contrary, when Money is cheaper here than on the Continent a certain Quantity will go out of the Country for that Purpose.

183. But during the great Pressure in last October Gold was actually coming into the Country?
It was.

184. You expressed a Doubt as to the Propriety of one Portion of the Act which requires the Publication of the State of your Reserves. Now does not the publishing of those Reserves guide the Public very much as to the Fluctuations in the Export and Import of Gold?
I do not wish to be misunderstood. I do not object to any Publication of the Bank's Accounts, except our Banking Reserve. I think it is right that every thing else should be put before the Public; but it is a Question whether we ought to be bound to publish our Banking Reserve more than any other Bankers in London; and I stated at the period when it was proposed that my Impression was that we might sometimes feel Inconvenience from it, because the Public would be naturally looking to it, and there might be Periods when from peculiar Circumstances our Banking Reserve might be low, we knowing that a Turn had taken place might know that it was safe, and yet the Public might be alarmed.

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185. And therefore that must aggravate the Pressure to some Extent if the Public are guided by that?
Yes.

186. If you gave the other Particulars without giving the Reserve, could not any body calculate from those Particulars the Amount of the Reserve?
I do not see what they have to do with our Banking Business. Sir Robert Peel stated that our Banking Business is to be conducted in the same Way as that of any other private Bank, except that as being the Government Bankers there is a claim upon us. But while I say this I am aware that there is another Side of the Question, which is, that the Certainty of Publication may make the Directors more discreet.

187. The Bank might be required to give a Return to the Lords of the Treasury or the Chancellor of the Exchequer?
I think that would be quite right.

188. You think that the Knowledge which the Public had of that in April had something to do with the Panic of that Time?
Undoubtedly.

189. Do you think that any Evil would arise either to the Public or to the Bank if the Bank were allowed to issue a larger Amount of Notes than the Fourteen Millions allowed?
I think it would be extremely dangerous. I think that Fourteen Millions is the extreme Point to which Issue upon Securities ought to be allowed.

190. You said that you were requested to go up with a Deputation in the Month of April to obtain a Relaxation of the Act. Was that a Deputation of Merchants of Eminence?
I was then the Deputy Governor. I was in the Governor's Room, and a Proposal came to us from Parties of high Station in the City to join in a Deputation to the Government.

191. They were parties of high Standing and great Respectability?
They were.

The Witnesses are directed to withdraw.

Ordered, That this Committee be adjourned till To-morrow, Two o'Clock.

Die Martis, 8° *Februarii* 1848.

The LORD PRESIDENT in the Chair.

Evidence on the Commercial Distress.

James Morris, Esq. and *H. J. Prescott, Esq.*

8th Feb. 1848.

JAMES MORRIS, Esquire, Governor of the Bank of England, and HENRY JAMES PRESCOTT, Esquire, Deputy Governor of the Bank of England, are called in, and further examined as follows:

192. (*To Mr. Morris.*) You stated that it was not at the suggestion of the Bank that the Letter of Her Majesty's Ministers was written?
Decidedly it was not at the Suggestion of the Bank.

193. Were the Bank aware that it was probable that the Letter would be written before the Saturday which you mentioned Yesterday?
As far as the Court were concerned, the Court were not aware that the Letter was to have been written until the Monday Morning when the Court was assembled for the Purpose of its being communicated to them. The Deputy Governor and myself had been in communication with Her Majesty's Government, and I think the first Time that we officially knew of the Prospect of the Letter being issued was on the Saturday Morning previous to the Monday, the Day on which it was issued.

194. Neither yourself nor the Deputy Governor suggested to Her Majesty's Government the Propriety of writing that Letter?
Certainly not.

195. Previously to that there was great Alarm and Panic existing in the City of London?
There was.

196. Was not the Cause of that Alarm the Diminution of the Bank's Reserve?
I do not think it was the diminution of the Bank's Reserve that caused so great an Alarm at that Period, but rather the Failures that were taking place, and a consequent Distrust, not so much of the Bank of England as a general Distrust of Commercial Houses.

197. Will you be so good as to state at what Moment in your Opinion that Alarm had reached the highest Point?
I should think that alarm had reached the highest Point just previously to the issuing of the Letter by the Government. I think the Bankers went up to the Government on the Saturday or the Friday; I think that was about the Period, as far as I can judge, of the greatest Alarm.

198. All that Alarm ceased immediately upon that Letter coming out?
The Alarm appeared to have ceased; there seemed to be a general Return of Confidence.

199. Had any Member of Her Majesty's Government suggested to either the Governor or the Deputy Governor of the Bank of England the Propriety of asking them to issue that Letter?
No, they had not.

200. You have stated that a Deputation from the Bankers of London went up to Her Majesty's Government; can you state what Day they went?
I cannot state the Day, but it was towards the End of the Week; but my Impression is that it was the Friday or Saturday.
Mr. Prescott. I think it was Saturday the 23d.

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201. On the very Day that they first intimated the Intention of writing the Letter?
Yes.

202. (*To Mr. Morris.*) Had you ever Reason to believe that the Government came to the Determination of writing that Letter in consequence of a Communication which they received from the Bankers of London?
I cannot say that. My Impression is it was in consequence of certain Information which they received from the Country.

203. You stated that you had never heard that there had been any statement made on the Part of the Bankers of London, that unless the Act of Parliament was infringed they would withdraw the Deposits which they had in the Bank?
Certainly I never heard that.

204. Are you aware whether the Deposits of the Bankers of London amounted to nearly One and a Half of your Reserve on that Saturday?
I will take the 16th or the 23d; but I should also state, with respect to the 23d, that we were then acting under the Impression that the Government were going to issue the Letter on Monday, and that therefore we were to relax more than we otherwise might have done. The Amount of Bankers' Balances on that Day was 1,615,000*l.*, and the Amount of Reserve was 1,994,000*l.*; there was 1,547,000*l.* Bank Notes, and 447,000*l.* in Coin, making 1,994,000*l.*

205. Supposing that just before closing Hours the Bankers had withdrawn their Deposits, could you have paid them?
I am not prepared to say that we could have paid them. They had 1,600,000*l.*, which they might have withdrawn, and we had 1,994,000*l.* to pay them with, taking the whole of the Reserve; but this does not include the London Reserve only, this is the Reserve also of the Branches; and therefore supposing a Case of that Sort, which I can scarcely contemplate, certainly they might have inconvenienced the Bank at the Moment.

206. You say that the Reserve is the whole Reserve in the Banking Department; then what Reserve was there in London at the principal Bank at that Time?
I cannot tell that at this Moment; I will supply that.

207. When you were at the lowest Point you had 1,776,000*l.* of Reserve of Notes, and 429,000*l.* of Coin; can you state at that Period how much of that Reserve was in London?
In London, 825,000*l.*; at the Branches, 780,000*l.*; together 1,605,000*l.*

208. Do not you consider that your Danger, so far as there was any Danger to the Bank of England, with respect to any Difficulty of Payment, must be in London?
Mr. Morris. Yes.

209. Therefore the important Thing to consider is the Amount that the Bank had to meet any sudden Contingency in London?
Certainly.

210. In your Answers Yesterday you stated that at the Period of the greatest Pressure you were of opinion, that between the combined Action of the running off of Bills and Issues upon Securities upon a very moderate Scale and the Sale of Securities the Bank might have secured itself even without the Interposition of the Government?
Certainly; but I would leave out the Issue upon Securities, because under those circumstances the Bank would not have made Issues upon Securities, but the Bank would have discounted Bills.

211. But to a very limited Degree?
Comparatively.

212. Will you state what Effect you conceive would have been produced upon your Deposits if you had proceeded at that Time to sell Securities to any considerable Extent?
My Impression is that supposing we had sold Securities to the Extent of about

about Two Millions it is probable that the Deposits might have been affected to the Extent of about One Million, so that by selling Two Millions of Securities we might have strengthened the Reserve by about One Million.

213. But you still think that by the Sale of your Securities under such Circumstances there would have been an Effect produced upon your Deposits?
There might have been an Effect produced upon the Deposits.

214. Do not you think that there would be a strong Probability of that?
I think it is probable.

215. Are you not aware that Mr. Horsley Palmer in his Evidence stated that it would be a Consequence?
I am not aware of it; he may have stated it so.

216. Why should it have that effect?
The Reason why it should have the Effect of reducing the Deposits is that the Act of selling Securities would naturally make Securities cheaper, and Parties having Deposits at the Bank might be induced to employ a portion of their Deposits in the Purchase of Securities in consequence of Securities being cheaper.

217. In proportion as you sold Securities would you not take Notes out of the Market?
Yes.

218. Then, on the Part of those who felt the Pressure occasioned by the Withdrawal of those Notes, would not an Action upon their Deposits with you have been a necessary Consequence for their own Sake?
Yes, but not to the extent of the Notes we should take out of the Market.

219. But to a certain extent?
I believe it would. If we had sold to the Extent of Two Millions it might have affected us to the Extent of One Million. But I think we may assume that Money upon the Stock Exchange is, generally speaking, cheaper than it is elsewhere; the Consequence is, that we might take Money out of the Stock Exchange without its generally affecting the Country for some little Period, and therefore the Action of drawing out the Deposits might not be so rapid as would otherwise be the Case.

220. Speaking in general Terms, you think that the Reduction of your Deposits would be about Half the Amount of the Securities which you sold?
I am not prepared to say that that would be the Case, but it might be. I think it is very probable that the Deposits would not be affected to that Extent, but the Tendency might be so.

221. In proportion as Money was rendered dear by the Withdrawal of Paper, would not the Anxiety to possess Money and to use Money become greater?
The Period we are speaking of was a Period in which the Circulation was considerably in excess. The Notes out on the 30th of October were 20,833,000 *l.*, in addition to which about Two millions two hundred thousand Sovereigns had gone into Circulation between the 14th of August and the 30th of October, and therefore that which would act strongly upon an extremely restricted Circulation would not have the same Effect when the Scarcity of Money arose rather from a Panic than from an absolute Want of Money.

222. Do not you consider that there is an entire Fallacy in the Supposition that a certain Amount of Currency out at one Time produces the same Action as a certain Amount of Currency out at another; for instance, where either Coin or Notes are taken from the Bank for the Purposes of hoarding in Times of temporary Panic, do not you consider that those Notes produce a totally different Effect upon the Circulation from what they would produce if they were taken from the Bank in a time of active Commerce and rising prices?
I consider that the same Amount of Notes will act very differently according to different Circumstances. When 2,200,000*l.* additional Gold had gone into Circulation of course a large Amount was hoarded, and was an Abstraction of that Portion of the Circulation which would otherwise have been usefully engaged.

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223. It is no longer Currency?
It is no longer Currency.

224. How do you reconcile with those Answers a Rule which is governed universally by the Amount of Notes, assuming them to be homogeneous in their Nature, and to produce the same Effect upon Currency and Prices under all Circumstances, without considering whether the Notes are to be hoarded or to be put into active Circulation?
Mr. Prescott. I conceive, certainly, that in Time of Panic the Money Market will bear the Issue of a greater Quantity of Notes than it will in ordinary Times for the ordinary Purposes of Trade, without affecting the Exchanges.

225. Do you conceive that there is any Reason to suppose from the past History of the Circulation of this Country that, excepting in Times of actual Panic, there is any great Variation in the Amount of Circulation that is abstracted by hoarding?
Mr. Morris. I think not; except in Cases of Panic there will be no Inducement whatever to hoard. There is always a certain Amount of hoarding, but to a trifling Extent. Hoarding from Panic naturally affects the Circulation considerably, but the small hoarding of People putting by Quantities of Coin and Gold is so trifling that it will never interfere with the Circulation.

226. In the course of the Year which has just closed, namely, in April, after the Publication of the small Amount of your Reserve, and subsequently in the Month of October, before the Interposition of Her Majesty's Government, was there not a Panic to which your Attention has been called?
In the Month of April decidedly there was a Pressure, perhaps sharp while it lasted, although it was soon over. That was principally caused by the Publication of the State of the Bank's Reserve. I think the Bank's Reserve was 2,533,000*l.* on the 10th of April, or 3,000,000*l.* including the Coin. That was at the Period when the Dividends had been paid. The greatest Drain upon the Bank's Reserve always takes place about a Fortnight or Three Weeks after the Commencement of the Payment of the Dividends, and consequently the low State of the Reserve alarmed the Public at that Period; then a Re-action had taken place, and if the Publication of the Bank's Reserve had not taken place, probably the Public would not have been alarmed.

227. You think that the Publication of the Reserve has a great Tendency to create Panic?
I have no Doubt that the Act of Publication of the Bank's Reserve was one of the Causes that alarmed the Public.

228. And when a Panic takes place the Deputy Governor stated that it may require a greater Issue of Notes than you are enabled to make under the Act of 1844?
Mr. Prescott. The Issue of Notes will not produce, under those Circumstances, the same Mischief of leading to the Export of the precious Metals that it would under ordinary Circumstances.

229. In what Degree have you observed that any Diminution in the Amount of Bills of Exchange arising from a Panic or otherwise has affected the Demand for Bank Notes in Circulation?
Mr. Morris. In Times of Panic the Demand for Bank Notes is always more considerable, because, naturally, the Demand for Discounts is always increased with the Panic; to what Extent I am not able to state.

230. When you speak of a Panic, you distinguish Two different Classes of Panic; namely, that Panic through the Country which may induce People to hoard Coin, and that Panic connected with a Distrust of Country Bankers which may oblige those Country Bankers to have an increased Quantity of Bank of England Notes?
I drew that Distinction. I should rather call that in April a Pressure, because it was merely from the Amount of the Bank's Reserve being low, which produced an Anxiety on the Part of the Public to have a certain Quantity of Bank Notes as a Provision. But, in October, the Difference is, that,

that, in consequence of the Distrust of Commercial Firms and so many Failures taking place, a Panic arose, not from any Fear of the Bank Notes, but from a general Distrust as to who were safe and who were not safe.

231. In fact there has never been, at any Period, any Distrust of the Safety of the Bank of England?

Not at any Period, I believe.

232. Do you consider that Bills of Exchange enter so far into the Circulation of the Country that the sudden Withdrawal of a great Portion of them makes a great Issue of Bank Notes necessary to maintain the Circulation?

Decidedly. I consider Bills of Exchange as Auxiliaries to the Circulation of the Country, particularly at Liverpool, where Purchases are made largely of Cotton, and Payment is made in Bills upon London. Naturally the Withdrawal of those Bills of Exchange would render a larger Amount of Bank Notes necessary, to fill the Space formerly occupied by those Bills of Exchange.

233. So that any Circumstance, from whatever Cause arising, that suddenly diminishes the Number of those Bills of Exchange requires a greater Issue of Notes on the Part of the Bank?

It does.

234. Whilst you consider that Bills of Exchange enter into the Circulation, do you think that they enter into the Circulation in the same Degree and in the same Proportion in which the same Value in Amount of Promissory Notes payable on Demand would?

Certainly not. I do not consider Bills of Exchange as forming a Portion of the Circulation; I rather consider them as Auxiliaries to the Circulation, as relieving the Circulation.

235. But, nevertheless, dispensing to that Extent with the Use of Notes?

Yes.

236. Will you have the goodness to attend to the following Passage. Mr. Huskisson states, in his Pamphlet on Depreciation, that "The consequences "of sudden Alarm cannot be measured; they baffle all ordinary Calculation. "Cash is then withdrawn, not because the Circulation is excessive, but, by the "Country Banks and the Town Bankers, for the Purpose of meeting possible "Demands upon them, and by the Community at large, either directly from "the Bank or indirectly through the former Channels, for the Purpose of "hoarding, from the Dread of some imaginary or contingent Danger." Does that describe accurately the Effect that you think takes place under the Circumstances of a Panic as you have interpreted the Word?

I think decidedly.

237. Then, in the same Passage, the following sentence succeeds: "In such "a Crisis every Reduction in the Amount of Bank Paper is so far from checking "the Drain that it aggravates the general Distress, because the Gold which is "taken out of the Bank, instead of being substituted in Circulation for the "Notes withdrawn from it, is for the most Part locked up, and thus in proportion "as the stagnant and straitened Circulation wants Life and Aid it becomes every "Day more embarrassed, whilst each new Calamity produced by such a State of "Things contributes to spread and increase the general Apprehension." Do you agree that under such Circumstances the straitening of the Circulation, (assuming throughout that this is produced by an internal Demand and not by a Disorganization of the Foreign Exchanges) tends, in the Words of Mr. Huskisson, to spread and increase the general Apprehension, and to make the Commercial World more embarrassed?

Yes, I do. And I consider that the Bill has provided a Remedy for that, inasmuch as the straitening of the Circulation causes a Rise in the Exchanges, and an Importation of the precious Metals for the Purpose of performing that which an extra Issue of Notes would have done.

238. Do you think that you can rely upon that as of sufficiently active and sufficiently immediate Operation?

That is extremely difficult to answer. An Importation of Gold was taking place at the Period at which the Government Letter was issued, though not

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yet sufficient to have checked the Panic. In such a Case, with sufficient Time I am quite sure that with this Act the Evil will correct itself.

239. Are you aware that in that Expression of Mr. Huskisson's Views he concludes by stating that which Mr. Lloyd has again stated upon his Authority, that those Cases cannot be provided for otherwise than by the Interposition of the Government?

Yes.

240. You conceive the contemplated Existence of such Cases to be so provided for?

I consider a Case of such extreme Distress as that which occurred in October to be one of those Exceptions to the general Rule that probably might be made use of as an Objection to the present System. The same State of Things might take place with a Metallic Currency. You might also have hoarding of a Metallic Currency, and you might have great Scarcity before sufficient Importation from other Countries came in to supply the Place of that which was hoarded, and some Government Measure might be necessary for the Purpose of assisting the Circulation.

241. Referring to the first Interposition of the Government in the Year 1825, was it not under Circumstances in many respects analogous to the Interposition of the Government in October 1847?

I have not sufficient Experience of 1825 to enable me to say.

Mr. Prescott. My Recollection does not carry me back quite so far, but I believe there was something of the same Kind. There was an Issue of Exchequer Bills, which enabled the Bank to make an increased Issue of Notes.

242. In that Case had not the Issue of Exchequer Bills the Effect of restoring Credit even without the Commercial World availing themselves to any considerable Extent of the Exchequer Bills so issued?

It restored Confidence, and at the same Time was an Alleviation of the general Pressure.

243. (*To Mr. Morris.*) Do you recollect that in a Publication of great Weight, namely, Mr. Tooke's Pamphlet at the Time of the Distress in 1825, he gave this Recommendation for the Alleviation of the wide-spreading Distress which then prevailed, "The most obvious Expedient certainly is to extend "the Issues of the Bank of England as far as can be done without incurring "the Danger of a renewed Drain on their Coffers and a consequent Risk of "Suspension?"

Yes.

244. Is not that in point of fact the Adoption of the Principle that in a Time of internal Pressure an increased Issue on the Part of the Bank of England is the natural and effectual Remedy for such a State of Things?

I think not. I think that the Difficulty is this, that you cannot tell to what Extent the Panic may call for an increased Amount of Notes. Those Notes may be suddenly thrown upon the Market, and the Circulation becoming too full the Exchanges may be affected, and the Consequence is that you may lose a large Portion of the Bullion which you ought to have retained.

245. Is there not a natural Relief derived from the State of the Foreign Exchanges; and so long as an Increase of Bank of England Notes in Time of Discredit can take place without deranging the Foreign Exchanges, and thereby creating a Foreign Efflux of Gold, is it not safe on the Part of the Bank of England under those Circumstances to issue Paper?

I think it would be extremely difficult to measure the Extent to which you might issue under those Circumstances.

246. But do you think that the Alternative of a mere Issue upon the Responsibility of the Government, as recommended by Mr. Huskisson and Mr. Lloyd as the Alternative, that being also the Alternative afforded by the Letter of the Government in October last, is quite a safe Alternative?

I think, so long as they made it a Condition that any Relief given under that Letter was only to be given at a high Rate of Interest, that, instead of lowering he Exchanges, it would rather have encouraged the Importation of the precious Metals;

Metals; under those Circumstances it was a safe Measure; but I do not think it would have been a safe measure if the Rate of Interest had been put low.

247. In Mr. Thornton's memorable Book upon Paper Credit, and Mr. Horner's Observations upon it, there is the following Statement. Will you have the goodness to state how far it consists with your Judgment, and is borne out by late Experience? "At a Period of internal Discredit the Country Bankers "limit the Issue of their Notes, and enlarge their Reserves of Cash; the "Money Dealers of the Capital participate in the Alarm, and enlarge their "Reserves likewise." Would not that be the Tendency at any Period of Alarm, that all Parties dealing in Money would feel an Anxiety to increase their Reserves?

That would be the Tendency certainly.

248. That is followed up by this Statement: "Unless the Bank of England, "therefore, which is the Source of circulating Credit, shall in these circum-"stances consent to enlarge its Issues of Paper, a general Subversion and Ruin "of that Credit may take place; but if it adopts that Measure seasonably, and "in the proportion that the new Demands of the Circulation require, the "Mischief may cease after a slight and temporary inconvenience. The Expe-"rience of 1793 illustrates this. The pressure then began with a Demand of "Guineas for the Interior. The Notes previously in circulation were not "below the usual Number, but that was rendered by a slower circulation "insufficient. A Loan of Exchequer Bills proved a Remedy. Do you concur in that?

I should say that the Government Letter issued in October answered exactly the Purpose there stated. Then, instead of Exchequer Bills being issued, the Government allowed Relief to be given in Bank Notes under certain Limitations.

249. Mr. Thornton ends by stating, that "In future Seasons of Alarm it "may reasonably be expected that the Directors of the Bank of England will "prove less timid." Do you consider that these Recommendations and these Authorities can be acted upon consistently with the Maintenance of the Portion of the Act of 1844 to which your Attention has been called?

I consider that the whole object of the Act of 1844 was to assimilate the Paper Currency as nearly as possible in its Functions to a Metallic Currency. The same State of Things might take place under a Metallic Currency which took place under a Paper Currency with the Bill of 1844, and the same Interposition of the Government, for the Purpose of relieving Commercial Distress during the Time, might have taken place in the one Case as in the other.

250. The Question is not whether the Act of 1844 has answered the Expectations of those who framed it and of the Legislature who passed it, but it goes to this simple Point, whether that Measure of a more extended Issue on the Part of the Bank, which if those authorities are to be relied upon is necessary under such Circumstances for the Maintenance of Credit, can be resorted to under the express Provisions of the Act?

No, it cannot.

251. You draw a very marked Distinction between the Case of Commercial Pressure and Commercial Panic?

I do.

252. You consider the Crisis which occurred in April last as one of the former Class?

I consider the April Crisis to have been more a Pressure from Want of Money than a Panic arising out of Commercial Distrust.

253. But you consider that which happened in October to have been a general Panic.

A general Panic; general Distrust throughout the Country.

254. Is not it your opinion that, although it may be according to the Authorities just quoted indispensable that in a Moment of actual Panic, when Parties do not act according to strict Reasoning and Deduction upon these Matters, but more from Alarm than from Reason, it might under such Circumstances be desirable that an additional Issue should take place to relieve the public Credit,

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yet that in the ordinary Condition of Commerce, although there were great Pressure, it might be dangerous?

With respect to a Time of Pressure I should say that any Interference would be exceedingly undesirable, because the Pressure arising from the Contraction of the Circulation, will naturally cause a Rise in the Exchanges, and the Evil will correct itself by the importation of the precious Metals. But with respect to a Panic, we have seen that the Panic in October last exceeded the Bounds of Reason. Every person seemed afraid of trusting his Neighbour. It is impossible to frame a Bill that may meet such a State of Things, you cannot do it. The Government came forward, very properly as has been said, for the Purpose of making one of those Exceptions to the Act which only the Force of Circumstances justified their doing.

255. You say it was an unreasonable Panic. Do you think that when Persons having large Engagements and large transactions in London knew that the whole Reserve which the Bank of England then had was 1,000,000 *l.* (of which, probably, not more than One Half was in London), their Apprehension under those Circumstances that the Bank might have come to stop Payment was an unreasonable Apprehension?

I should say that that was not the Period of the Panic; the Period of the Panic was previous to that; the Panic began at the Beginning of September. The first principal Failures took place in the Corn Trade towards the latter End of August; and then a Succession of Failures taking place, probably, the Panic might have begun about the Beginning of October.

256. Was not the Panic at its Height at the time when the Letter of the Government came?

The Panic went on increasing up to that Period.

257. Therefore, the Panic went on increasing in proportion as they saw the Reserve of the Bank of England going on diminishing?

I do not think that was the sole Cause; Failures were taking place Day by Day. There was a large Failure in Glasgow. It was the effect of all those Failures which caused the increasing Panic. I do not think it was so much from looking at the Reserve of the Bank of England at that Period as the general Distrust arising from the daily Failures of very large Establishments.

258. The Question is not whether there was not very sufficient Ground for great Alarm, but whether the Alarm did not actually go beyond what the Circumstances of the Case justified. If the Alarm went beyond what the Circumstances of the Case justified it may be described as a Panic?

I should say decidedly it went beyond what the Circumstances of the Case justified.

259. Was not that proved by the Effect of the Government Interposition?

It was.

260. Was it not the Fact that the Government were required to interpose by the Parties who applied to them, not so much for the Sake of the Government giving positive Assistance in the Way of Advances, but for the Purpose of interposing the Government Credit in order to enable Commerce to take its usual Course, and that the Result of the Government interposition was that it enabled Commerce to resume its ordinary Course without any such actual Interference?

That which in my Opinion restored Confidence was the Letter of the Government allowing the Bank to make any Advances that might be required without reference to the Act, at a given Rate of Interest. What was said by the Parties who applied to us was, "We do not care what rate of Interest "you charge us; we do not so much want the Money, but we want a Certainty "that if we do want it we shall be able to get it."

261. The Question just now put to you supposed that the Interference of the Government interposed Government Credit from the Failure of Commercial Credit; did it interpose any Government Credit at all?

No.

262. It was merely a permission to the Bank to interpose its Credit?
Yes. The Government enabled the Bank to supply Credit by adding to its Issues, which it would not otherwise have been allowed to do.

263. Did it not practically produce the same Effect as if a Return had come out from the Bank of England, giving a large Reserve of Notes in place of ths limited Reserve of Notes which had appeared in the anterior Return, thus showing that the Bank of England was able to exercise its Power of issuing to a greater extent.
The Effect would have been nearly the same.

264. You conceive that the Effect produced by that Letter of the Government was a Conviction on the Part of the Public that it was now in their Power to obtain from the Bank that which they could not obtain under the existing Law.
Decidedly.

265. Do you conceive that that Knowledge, although it was salutary at a Moment when great Distress of the Commercial Community arose from exaggerated Fear, would have been equally beneficial at a Time when the Distress of the Commercial Community arose merely from Pressure under natural Circumstances?
Certainly not.

266. Having drawn the Distinction very clearly between mere Distress or Pressure and Panic, do you imagine that any Law could be framed which, providing for the Action of the Bank and the proper Regulation of the Currency in Times of Commercial Pressure and Stagnation under natural Circumstances, could also provide for those extraordinary and exceptional Cases of exaggerated Panic?
Certainly not. I should say that in Times of Pressure by not interfering Things will right themselves. In the other Case there is the more Difficulty, because you cannot say when the Panic will end.

267. Supposing there had been a Power on the Part of the Bank during the former Part of the last Year to afford Assistance to the Commercial Community as on previous Occasions, do you think that the Moment of Panic could have been ultimately averted by any different Action which the Bank could have taken with respect to its Issues?
I think not.

268. Therefore, from your Knowledge of the Circumstances of the Case, it is your Opinion that the Panic would have occurred even supposing the Act of 1844 had not existed?
Decidedly.

269. And at the same Time?
I do not mean to say at the same Time, but I mean to say that we should not have gone through without a Panic, and probably a worse Panic happening. I think probably the Panic would not have taken place so soon, but that the Effect of putting off the Relief then coming in would have been to throw it further on and make it greater.

270. According to your View of the Case you would conceive that in Circumstances like those of the past Year a Panic was almost necessarily to be expected?
Yes.

271. Under those Circumstances do not you think it is necessary that some Discretion should exist somewhere to meet exceptional Cases, such as that which occurred in October?
I think not. I think it should be left to the Emergency.

272. Is not it likely that under any Circumstances it will be necessary for some Authority to exercise a discretionary Power of acting in such Cases?
We have seen the Case in October that Government came forward and acted. I am not prepared to say that we might not have got through without the Letter being issued. Some Houses might have failed earlier than they did.

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did. Some Houses have failed since the Letter has been issued. Although the Panic was stopped by the Letter I am not prepared to say that the Panic might not soon have ceased without issuing the Letter.

273. Can you state whether there were any Houses which were saved by the Operation of the Letter which would have failed if the Letter had not been issued?

That I am not able to say.

274. You stated that you thought it would have been very unwise if the Letter issued by the Chancellor of the Exchequer had not enforced a high Rate of Interest. Had not that high Rate of Interest the Effect of raising the Rate of Interest all over the Country, thereby creating Difficulties in other Quarters with respect to Land and Mortgages and so on, though it might have the Effect of assisting the Mercantile World?

It certainly had the Effect of preventing Parties borrowing upon Mortgage. I believe that the Usury Laws not allowing Money borrowed upon Land to be paid for higher than Five per Cent., and the Rate of Interest throughout the Country being Eight per Cent., those Parties were for the Moment inconvenienced, but it was the only Means of allowing the Circulation to recover itself. The Tide of Bullion was flowing into the Country, and any Rate of Interest which was put so low as would have interfered with the Importation of Bullion would not only have delayed our righting ourselves, but would have had the Effect of placing us in a worse Position.

275. But no doubt it had the Effect of raising the Rate of Interest all over the Country, thereby creating Difficulties in many Quarters?

I should say that by raising the Rate of Interest throughout the Country it did great Benefit, inasmuch as it attracted Foreign Capital into the Country.

276. The natural Rate of Interest at that Moment was Seven and a Half per Cent.?

I think the Bank of England had been discounting at Seven and a Half per Cent.

277. What was the Rate in the Market in London?

I believe the Bank of England was almost the only Body giving any Assistance, and therefore no one discounted under the Bank Rate.

278. If the Directors of the Bank of England had chosen to receive the Government Letter and to move that it lie upon the Table, could the Government have forced the Bank of England to violate the Law?

Certainly not.

279. You stated that the Panic commenced in the beginning of October, and principally through the failure of a House in Glasgow?

And other Failures.

280. Before that do not you believe that the Banks had begun to hoard?

I should think considerably before that Period, because we had Deputations from different Banks, particularly of Liverpool, that was about the 2d of October. At Liverpool they began evidently to prepare themselves about the Beginning of October.

Mr. Prescott. I should say that the Failures began and were the Cause of the Panic, and that no hoarding took place among the Bankers till after several Failures had taken place.

281. You think that the Bankers did not begin to prepare for the Crisis before any of the Failures.

I think not.

282. (*To Mr. Morris.*) You have been asked to discriminate between Cases of Pressure and Cases of Panic. Do not those run into each other so very closely, and are they not divided by so evanescent a Boundary, that it becomes almost impossible to discriminate them?

Mr. Morris. I think it is difficult to determine where Pressure ceases and where Panic commences.

283. But

283. But is not there a clear and undeniable Distinction, if the Distinction be drawn, not between Pressure and Panic, which it may be difficult to discriminate, but between a Drain of Gold caused by a disordered State of the Foreign Exchanges in which the Efflux is for foreign Purposes, and a Drain of Gold for domestic Purposes, occasioned either by Pressure or by Panic?

Certainly there is a Distinction between foreign Drain and internal Drain.

284. Is not that obvious from a Reference to the State of the Exchanges, and above all from the Existence of a Demand for Bar Gold?

Certainly.

285. No Demand for Bar Gold can take place to any considerable Extent without there being a profitable Export of that Gold?

No, it cannot.

286. Whatever may be the Difficulty of applying the Rule as between Pressure and Panic, is there any Difficulty whatever in applying a different Rule when the Foreign Exchanges are in favour of the Country and when the Foreign Exchanges are against the Country?

I should say decidedly, as far as the Management of the Bank is concerned, it is perfectly immaterial to us whether it is a foreign Drain or an internal Drain. All that we have to do is to look at the Amount of our Liabilities and the Reserve we have to meet those Liabilities. Whether the Reserve is diminished by a foreign Drain or an internal Drain, it equally behoves us to adopt the same Measure for the Purpose of protecting it. This rather modifies what I stated Yesterday.

287. In the Management of a Banking House would you feel yourself at liberty exactly to proceed on the same Principles of Accommodation to the Public, if there was a continued and strong Foreign Exchange against you, as you would if there was an internal Drain upon you?

As far as the Management of the Bank is concerned it is immaterial to me whether my Means of meeting my Liabilities are affected by one Cause or the other.

288. Do you think that it is a Matter wholly immaterial in the Management of the Bank of England whether the Exchanges are favourable or unfavourable?

As far as the Pressure upon the Bank is concerned the same Measures will be necessary. Naturally, if the Exchanges are unfavourable, you anticipate that Money will become restricted.

289. Confining the Question to the State of the Currency, what do you think produces adverse Foreign Exchanges?

An adverse Foreign Exchange arises when the Circulation of the Country is redundant, and Money cheaper here than in other Countries; consequently a Portion of the Capital of this Country goes into other Countries for the Purpose of more profitable Employment.

290. What do you think produces an internal Demand for Gold?

An internal Demand will arise from different Causes. Works to a considerable Extent undertaken by Railway Companies, and the Payment to Railway Labourers, has probably been one of the Causes of the very large Increase in the Amount of Gold going into the Country.

291. The Question is a general one, not applicable to the present Time. You have stated that you consider adverse Foreign Exchanges to arise from an Excess of Currency in this Country, depreciating the Currency here as compared with the Currency of Foreign Countries, and making the Export of Gold profitable?

I might also state that an adverse Exchange may also arise from the Balance of Trade. A very large Importation of Corn taking place will affect the Exchanges; but the natural Fluctuation in the Exchanges arises from the Rate of Interest being lower in one Country than in another; the Circulation flowing from the one to the other has the Effect of equalizing the Two.

292. The Rate of Interest is lower in the Country from which the Exportation takes place?

Yes.

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293. On general Principles, what are the Causes of an internal Drain for Gold; does it arise from Money being in excess and Interest being low, or does it arise from Money being deficient for the Purposes of the Country, and Interest being high?

An internal Drain may arise from Distrust in the Country, or from an increased Demand caused by an increased Want for the larger Transactions of the Country.

294. Then, in these respects, an internal Drain and a foreign Efflux depend upon directly opposite Principles.

Yes.

295. Does not the Act of 1844 deal with these Two Things precisely in the same manner?

Yes.

296. Looking back to the Occurrences of the past Year: we had a very easy Rate of Interest during the early Part of last Year, and before these Distresses took place an Abundance of Money, and there was a very great Demand at the same Time for internal Transactions. Do you think that at that Time the Demand arose from the Causes which have been assigned in the late Questions?

In August 1846 the Rate of Interest was low because the Circulation was extremely full; the Amount of Bullion in the Bank was 16,366,000 *l.* Up to January 1847 the Rate of Interest remained low. The Amount of Bullion was also high 15,000,000 *l.*

297. During all that Time all those Causes which have been assigned in the Questions recently asked you as constituting the Sources of a great internal Demand were in action?

There were Sources of an internal Demand, and there were also Demands for Export arising from Payment for Corn; they were both in action at that Time.

Mr. Prescott. There were not all the Causes of an internal Demand in action, because there was no Distrust.

298. But the Causes which have been assigned in the recent Questions, namely, great Demands for internal Works and for the Payment of Labour, were in action then?

Yes.

299. Do you think that, under those Circumstances, there was any such Case as would have justified an extensive additional Issue on the Part of the Bank?

Mr. Morris. No, I do not.

300. What do you think would have been the Effect, supposing that in the Month of January 1847, the Bank, taking the View which has been suggested to you of there being a large internal Demand, and that therefore it was necessary to supply that internal Demand with Circulation, had extended its Issues, instead of taking the Step of increasing the Rate of Interest and thereby contracting the Circulation?

The Result would have been that we should have lost a large Amount of Bullion. Even at that Period Bullion was going out of the Country; and if instead of cancelling the Notes which were exchanged against Bullion we had re-issued those Notes, the Effect would have been to have caused a larger Export of the precious Metals.

301. Supposing the Export had ceased, and there was still existing a considerable internal Demand, and that had been largely supplied by Issues, would there not have been great Danger of a Turn of the Exchanges again, and an additional Export of Gold?

Certainly.

302. Therefore, notwithstanding there might be a Demand from the internal Transactions of the Country for additional Advances, it would not be advisable or wise to make those Advances, unless they were made as they would be made under a Metallic Currency?

Certainly.

303. In the Circumstances which occurred in October last there was a very great internal Demand, but the demand at that Period did not arise from those Causes?

In October the Demand arose principally in consequence of Distrust arising out of Panics.

304. There was a much smaller Amount of those Causes of Demand which have been mentioned in existence than there had been previously?

Very much. The Transactions of the Country had materially diminished.

305. At that Time there was a most intense Demand in consequence of universal Distrust?

Yes.

306. Those are the Two Cases which you distinguish?

Yes.

307. You do not think it is very material in the Management of the Bank, so far as the Bank is concerned in the Issue and Circulation, how the Drain is occasioned, but you consider that it is not wise or prudent on the Part of the Bank to afford additional Issues to meet the Demand except in Cases where it is to relieve exaggerated Alarm?

The Bank has merely to look at the Means of meeting its Liabilities; and whatever the Cause may be, the Bank is not justified in parting with the Means of meeting its liabilities under any Circumstances.

308. Upon former Occasions of the same Kind, when no Restriction was imposed upon the Bank, the Bank was expected to act in supporting public Credit?

Not only formerly but even upon this Occasion Persons were absurd enough to suppose that the Bank was to assist any one who required it, provided the Securities offered were good. But I am sure that on previous Occasions, whenever the Bank has deviated from the strict Rules of Banking, the ill Effect of such Proceeding has invariably fallen back upon the Country.

309. Do you consider that Expectation to be absurd, that the Bank should come forward to any Extent that is demanded? Do not you consider that it is one of the most important Duties of the Bank of England, and one of the Objects for which it is instituted, to protect, support, and maintain to the utmost Extent of their Power, always consulting their own Safety, the legitimate Industry and Commerce of the Country?

The Answer I gave to all the Deputations (and unfortunately I had to receive a great many during that Period) was, that consistently with the Safety of the Bank every possible assistance should be given to the Public that the Bank could grant.

310. You look upon the Management of the Banking Department of the Bank as quite separate from that of the Issue Department?

Quite separate. I consider that the Issue Department might be managed at Whitehall, and the Banking Department in the City; so much so that the whole of our Accounts are quite separate, and the Notes in the Two Departments are kept distinct.

311. So that you would manage the Bank, whether you had this Act to obey or not, on the Principles of the Act of 1844, and you would not look at all to the Issues?

We have no Power over the Issue Department.

312. Supposing you had been acting during the last Year under the former Law, without any Restriction upon the Issues, or any Separation of the Two Departments, do you conceive that it would have been in your Power to have resisted the making of greater Advances than those which you actually made in the course of that year?

We might have made those Advances, but the Effect of making them would have been to put ourselves in such a Position that we eventually should have been obliged to take more stringent Measures for the Purpose of regaining a sound Position.

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313. The Question is this: Putting yourself in the Position in which the Bank stood in 1825 and 1839, without any Restriction upon the Power of Issue, and without any Separation of the Two Departments, do you conceive that it would have been in your Power during the last Year to have taken a very different Course from that which you took upon those Occosions, and to have resisted the Demand for Advances to the same Extent to which you did?

Not consistently with sound Principles of Banking.

314. You have said that the Bank considers itself bound to afford all possible Assistance to the Public consistently with its own Security; is that a correct Description of the Course actually pursued by the Bank on those previous Occasions?

I think the Bank acted rather too liberally; that the Bank did not on some Occasions retain the Amount of Reserve which should have been retained under the Circumstances.

315. Was it not a notorious Fact that in the Year 1825, at the worst Moment of the Crisis, the Bank was almost exhausted, and as Mr. Huskisson expressed it, within Twenty-four Hours of stopping?

So it was stated. I know that the Amount of Treasure was reduced very low indeed.

316. Was not the Bank brought by its Course upon that Occasion to a Point inconsistent with its Security?

Yes, certainly insonsistent with the Convertibility of the Bank Note, which is of great Importance.

317. The Bank was brought into a Position of imminent Danger, having little or nothing of Bullion remaining; did not the Bank at that Time make immediately an additional Issue of Four or Five Millions of Paper; and did not that Issue of Paper, instead of increasing the Danger of the Bank, remedy all its Difficulties, and bring in a very short Time a reasonable amount of Specie back again into its Coffers?

So far as I am speaking now it is merely a Matter of History, because I was not in the Direction at that time. But the Fact is that the Exchanges had turned. Gold was coming into the Country, and I believe the Bank made an extremely improvident Bargain with Mr. , who was bringing in Gold at the Rate of Four or Five hundred thousand Pounds a Week. There were Meetings in the City of London. There was one at the Mansion House, in which it was agreed that all Parties should hang together, stand by the Bank of England, and trust one another; and therefore Confidence was restored more from those Means than from any other. It is true that the Bank was enabled to issue a large Amount of Notes without affecting the Exchanges, but those were merely issued in substitution of the Annihilation that had taken place of the Country Banks Issues, which, I believe, were much larger in amount than that substituted by the Bank of England; and therefore the general Circulation of the Country was less, although that of the Bank individually was larger.

318. In point of fact, in the year 1825, against every ordinary Principle of Banking, the Country was relieved by the Issue of Paper. So in the Case in the Month of October 1847, when you were brought, not into any Danger of not paying in Specie, but into a Danger of violating the Act of 1844, was not the whole Difficulty relieved by loosening the Reins, and not so much giving the Public increased Facility as giving the Public Assurance that increased Facility was demandable? Was not the Relief in both cases brought about by a Relaxation of the stringency of the Principles of Banking laid down by the Act of 1844?

In last October, undoubtedly, it was.

319. Can you doubt that it was so in 1825?

I am not sufficiently acquainted with 1825 to say; but I think there were a great many Circumstances at that Period which are not parallel to those of 1847.

320. In illustration of that Subject your Attention is requested to this Case:—The other Day the Bank of Mr. Brodie at Salisbury failed; a Country Banker in the Neighbourhood, who was spoken to, was asked if he was not making Preparations

Preparations for a Run upon the Banks in the Neighbourhood. He said, "Yes; I have just been to Town, and brought down 10,000*l.* Bank of England Notes for my Protection." Now supposing that, instead of stopping as it did, that Discredit had run through the Country Banks of England as it did in the Year 1825, and that that Discredit to those Country Banks had sent each of those individual Banks scrambling for the Notes of the Bank of England, and your Circulation thereby had increased Four or Five Millions, as it would have done had you yielded to the Demand, can you conceive it possible that that additional Issue under those Circumstances could have placed you in any real Difficulty as to your Solvency, not according to the Act of 1844, but according to the old Principle of paying your Notes in Specie?

I consider that that is falling back to a State of Panic and Distrust to which, as I stated before, you cannot apply any general Rule; and under those Circumstances the Bank might have been placed in a different Position. I think that, by issuing that additional Amount of Notes beyond that which the Bank is allowed to do, the Exchanges would have been affected, and we might have lost that Amount of Bullion, or perhaps more. If Confidence had been restored immediately, instead of the Notes coming into the Bank, they would have continued for some Time in Circulation in the Country, the Rate of Interest would have fallen, and Gold would have gone out of the Country.

321. The Gold could not have gone out of the Country without your perceiving an Indication of it by the State of the Foreign Exchanges; but, instead of Gold going out, our Exchanges were in a Condition to bring Gold in, which was the Case in 1825, when that extra Issue was made. Could the Bank, under those Circumstances, have been under any Apprehension of the additional Issue of Paper causing a Drain for Gold?

It was not under similar Circumstances in 1825. Then Six Millions of the Circulation of the Country had been annihilated; and if the Bank had supplied Four Millions of Notes for the Purpose of performing that which was done by Six Millions before, it is evident that the Circulation of the Country would still be in a reduced State, and therefore the Exchanges would not have been affected, and I doubt whether the Convertibility of the Note would be endangered. But the Moment Confidence is restored Money comes again into Circulation, producing an excessive Issue, the Result of which might be to affect the Exchanges, and to cause an Export of Bullion.

322. Could you have had that Excess of Issue while People might at any Moment have come to your Counter for the Payment of your Notes? How can there be any Over-issue of Bank Notes as long as you pay them on Demand?

It is only a Promise to pay upon Demand, and if you issue a greater Amount of Notes than you have the Means of meeting upon Demand the Consequence may be a Discredit.

323. There may be a Difficulty in you to meet them, but there can be no Apprehension of a larger Amount remaining out in Circulation than the Public can take?

Certainly not. There cannot remain a larger Amount out than the Public require.

324. You have referred to the Case of a Demand from any Cause for the internal Circulation of the Country: A Demand of that Description did arise in 1825, it might have arisen again last Year if a Panic had prevailed among the Country Banks, and it may happen any Day. In Cases of that Description, you being limited by the Act of 1844 to look at the Amount of your Notes, and at nothing else, having no Restraint even as to your Liabilities, but being restrained merely by the Amount of your Notes, may you not find yourselves in a Difficulty in complying with that Act without at the same Time putting the Bank into a real Difficulty of not being able to pay in Specie?

I should say that, looking at the Act, an Emergency of that Sort could not be met by the Bank; and it was under that Conviction that the Government issued the Letter of the 25th of October.

325. The Question of your being able to meet the Emergency depends upon the Extent of your Reserve?

Yes.

 326. Would

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326. Would not your Means under the small Reserve that remained to you under the Act of 1844 be very much diminished in comparison with what it would have been if you had had a Margin of Eight Millions and a Half, which the State of your Bullion gave you, according to the Principle upon which you would have been acting if that Alteration in the Constitution of the Bank had not taken place?

No. I consider that the Bank ought to have acted exactly upon the same Principles, and ought to have had exactly the same Amount of Reserve, whether the Act of 1844 had passed or not.

327. That is to say, you need have been under no greater Apprehension of coming to the End of your Reserve, whether you had Two Millions in your Coffers, or whether you had Eight Millions and a Half in your Coffers?

No. We ought to have acted in the same way.

328. You think that with Eight Millions and a Half of Bullion in your Coffers it would have been the Duty of the Bank to have imposed Restrictions upon the Commerce of the Country which, but for a Case of Necessity, you would have thought severe and undesirable?

I consider that under all Circumstances, whether there was Eight Millions of Bullion in the Bank, or Two Millions of Bullion in the Bank, whether the Act of 1844 had been passed or not, still we ought to have acted upon the same Principle in the Management of the Bank.

329. You would have acted with the same Restraint upon the Commercial Commerce of the Country?

Yes, certainly.

330. Is the Deputy Governor of that Opinion?

Mr. Prescott. I think practically that it would not have been the Case; for with a Reserve of Eight Millions in our Coffers we should have extended our Facilities more liberally than under actual Circumstances, but we should have done so at the Risk of reducing our Store of Bullion, and placing ourselves in the same Dilemma as we were in in 1825.

331. Is not that the Course which was taken upon previous Occasions by the Bank?

I think that in 1837 and in 1839 the same Error was committed; and the Probability is, that the Error would have been committed upon the present Occasion.

332. Do you agree in what the Governor has stated as to what the Action of the Bank ought to have been, or do you merely say that the Action of the Bank would have been different?

I think that it ought not to have been different, for the Action of the Bank during a Pressure for Money should be such as to give every Encouragement to the Importation of the precious Metals from abroad.

333. Even with Eight Millions and a Half of Bullion in your Coffers?

I think so; and that with reference to Panic, the best Plan is to let that subside of itself, rather than run the Risk of incurring greater Mischief by endangering the Convertibility of the Currency.

334. Supposing the Bank were acting under the old System which all other Banks in the World act under, viz. of looking to its Liabilities as compared with its Specie Payments, then the only Apprehension of a Call upon your Specie (unless there existed any Panic arising from Distrust of the Bank) would be of a Demand from abroad from the State of the Foreign Exchanges?

Mr. Morris. Provided there was no Discredit of the Bank of England Note the Fear for our Specie would be from Foreign Export.

335. There has been no Discredit for many Years of the Bank of England Notes?

I think not since 1825.

336. It appears by the Returns that there was an Efflux of Gold from this Country, taking the whole of the Year 1847 (which may be considered a Year of Famine pretty nearly from the Beginning to the latter Part of it), altogether, of about Five Millions, which corresponds pretty nearly with the Loss of Gold

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as returned by the Bank. May we not therefore suppose that about Five Millions of Sovereigns was the Amount of Gold required for the Purpose of paying for the large Importations required from the Failure of Food in this Country?

The Return I have got states the Amount taken from the Bank of England at about 7,500,000 *l.*

337. That includes the Silver?

Yes. The 7,500,000 *l.* is made up in this Way:—Russian Half Imperials which went out to St. Petersburgh, 958,000 *l.*; Dutch Guilder Pieces, 877,000 *l.*: Bar Gold, 306,000 *l.*; making together 2,141,000 *l.* of Gold to the Continent of Europe. Then Sovereigns exported to America from the Liverpool Branch 2,680,000 *l.*; from Liverpool, but not through the Bank, 778,000 *l.* Then I have a Memorandum here in addition to the above, 3,459,000 Sovereigns shipped from Liverpool; about 400,000 were sent direct from the Port of London; making the total supposed Exportation to America in round Numbers to be about 4,000,000 of Sovereigns.

338. For what Time is that?

This is up to August 1847. The Export began the 31st of October 1846, and it ceased apparently about the 14th of August 1847. There were small Shipments afterwards, but nothing to speak of.

339. Then the total Export caused by the Famine comes to about 5,000,000 *l.* of Gold?

I make it rather more than that; I make it 7,500,000 *l.* If I deduct 1,300,000 *l.* of Silver it would make 6,200,000 *l.* of Gold.

340. Then how much came back?

I think in Sovereigns we have received from America about 900,000 *l.*; that is all we know of.

341. What do you estimate it at, leaving out the Silver?

£. 6,200,000. I consider that it is immaterial whether it is Gold or Silver. The Bank have purchased the Silver, because if the Bank had not purchased the Silver it would have gone to the Continent. The Principle upon which the Bank buys Silver is this:—When the Exchanges are high, and consequently the Price of Silver low, we purchase it at a Price equal to buying Gold at 77 *s.* 9 *d.* It prevents our increasing our Amount of Gold. Therefore, whether we lose the Silver or the Gold it equally affects the Bullion or the Treasure. A large Portion of this, about 800,000 *l.*, went over to Paris; another large Portion went to Hamburgh. The whole of it, probably, went in Payment of the Imports of the Country.

342. The Silver is no Part of the Medium of your Circulation. You cannot pay your Debt in Silver, nor can you convert it into Sovereigns, which are Part of the legal Tender of the Country; and therefore, though it is a very convenient Description of Merchandise, it is not to be looked upon for this Purpose in the same Light as Gold?

I consider Silver quite as available a Means for the Convertibility of the Note as Gold. We have been limited to keeping One Fifth of our Amount of Bullion in Silver. I think that Limitation is too restricted. The Silver can be readily sold in the Market, and Bank Notes obtained for it. There is no Merchandize that will sell easier than Silver. By dropping a Fraction in Price we could get Bank Notes out of the Market immediately.

343. Supposing 6,000,000 *l.* of Bullion to have left the Country for Food in consequence of the Visitation of last Year——Your Bullion in October 1846 amounted to about 15,000,000 *l.*, did it not?

At the end of October 1846 it was 14,800,000 *l.*

344. Therefore, the Bank finding itself in the Position in October 1846 of having Bullion to the Amount of 14,800,000 *l.*, and having this Demand running through the ensuing Year of 6,000,000 *l.*, would it not have been very desirable, upon a sudden Demand of that Sort arising, which nobody could by any Means foresee or prevent, that the Bank should have been able to meet that without any general Disturbance of the ordinary Business of the Country?

I do not see how it could have been done.

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345. Would it not have been desirable that it should have been met, if it could have been met, without any Disturbance of the ordinary Business of the Country?
Certainly.

346. Taking the Figures now stated to be correct, would it not so have been met, supposing the Bank Directors could have foreseen the exact Amount that would have been required if there had been no Restriction under the Act of 1844, and they had been left to act under the old System of Banking, which is the System of Banking in every other Part of the World, viz. that of looking merely to the Proportion of their Liabilities to their Bullion?
No, I think it could not have been met.

347. You think that upon the 14,800,000 *l.* a Reduction of Six Millions would have been destructive of the Credit of the Bank?
I think that upon the Loss of Six Millions of Bullion it was necessary that a similar Contraction of the Circulation of the Country should take place, that the Exchange might feel the Effect of the Contraction.

348. The Question is not now, whether some Precaution and Care might not have been proper upon such an Occasion; but the Question is, whether it could not have been done without bringing after it the extreme Pressure and Distress which we have witnessed?
I think not. I do not see how you are to provide for the Abstraction of a certain internal Circulation by the Substitution of any other, except through the Medium of the Exchanges.

349. Under that very critical Position which you were in when your Reserve was reduced to the Minimum of 1,600,000 *l.*, was it ever a Matter of Deliberation with the Court of Directors what they were to do if they were pressed to Extremes?
Mr. Prescott. When the Reserve was at its minimum Amount, the Bank could have made an additional Issue of Notes under the Authority of the Government.

350. The Question refers to the Period before they received the Authority of the Government?
Mr. Morris. Then the Reserve was 2,760,000 *l.*

351. Then it has never been a Matter of Deliberation with the Bank, what they were to do in case of extreme Pressure, whether they were to break through the Act of Parliament, or to stop?
The Idea of breaking through the Act of Parliament was never entertained by the Court, but naturally the State of the Liabilities and the Reserve occupied the Attention of the Court. But as to any Idea of going to the Government, and asking them to relieve us from the Act, or any Idea of breaking through the Act, that was never contemplated.

352. You acted in your Banking upon the Apprehension which such a State of Things naturally produced?
When we saw our Reserve reduced to 2,760,000 *l.* it naturally made us extremely cautious; and to improve our Position we raised the Rate of Interest, and were enabled to check the Demand.

353. Did you throw out Paper?
I do not think that we refused any Paper in London, the Solidity of which we did not doubt, provided it came within Ninety-five Days.

354. You did not at any Period during the Pressure upon the Bank refuse any Paper, the Solidity of which you had no reason to doubt?
Not in October in London.

355. In the month of October, prior to the issuing of the Government Letter to the Bank, was any Application made to you to advance Sums of Money upon Exchequer Bills and Bills of Exchange?
Previously to issuing the Government Letter an Application was made by a Party for an Advance upon Exchequer Bills and Bills of Exchange to the Extent of 200,000 *l.*, which he was told he could not have.

356. An

356. And your Reason was, that your Reserve was not then of that Magnitude at that Moment as to render it desirable for you to make that Advance?

One Reason was, that it did not come in the usual Form of Application, for it did not come through the Discount Office. If the Bills of Exchange had come through the Discount Office, and the Exchequer Bills had come through the proper Office in the usual Form, I still think it would perhaps have been refused. But the Application was altogether out of the usual Course. The Parties came themselves, and said, "We want the Money for these Securities." The Answer was, "We cannot give it to you."

357. They were Men that you thought solvent?

Yes.

Mr. Prescott. I may state, that at that Time the Bank had ceased to make Advances in the Form of Loans, although the Discount Office remained open; and further, this Application was not made in a very pressing Way, as if the Party was in urgent Need of the Money, otherwise it is probable that Assistance might have been rendered, as it was rendered in a great many Cases where such Need was represented to the Bank.

358. After the Government Letter did you make that Advance?

Mr. Morris. Not to those Individuals.

359. Did they apply to you after the Government Letter?

No, they did not.

360. Will you state what was the State of your Transactions with the Government, as relating to Deficiency Bills in the October Quarter?

Mr. Morris. I think in October there were no Deficiency Bills.

361. How many were there in the October preceding?

I do not recollect.

362. By the Return which is before the Committee, it appears that in the October Quarter 1846 the Demand for Deficiency Bills was 3,466,000 *l.*, and at previous Times, for instance in January 1843, it was 8,560,000 *l.* Now, supposing there had happened to be a Demand upon the Bank in the October Quarter of 1847 for the ordinary Amount of Deficiency Bills in that Quarter, in what Condition would your Reserve have stood?

The Government first of all would have apprized us that they required those Deficiency Bills; and we should also have seen, from the growing State of the Exchequer, whether those Bills were likely to be required, or not. If we had thought that such Bills would have been required we should have loaned out Money for such a Period as to enable us to make an Advance upon the Deficiency Bills out of the Money which would be returned to us by the Public.

363. If in October, at the Period when your Reserve was reduced to the small Figure to which you have adverted, there had been coincidently with that a Demand for Deficiency Bills, in what Position would your Reserve have stood?

The only Answer I can give to that is, that, supposing we had to make an Advance on Deficiency Bills, the Bank would have taken Precautions to prevent the Reserve being in that Situation.

364. Would that have been by the Sale of Stock, or by using greater Stringency in giving Accommodation to the Public?

The Probability is we should do what we did in October. The Money which came in from the Government for the Purpose of paying the Dividends we lent out till October, to be repaid then, and we paid the Dividends with the Money which we got from the Public; and it would be so in that Case. Supposing Deficiency Bills to be required for this Quarter, we should lend out the Money, to be repaid at such a Time as to enable us to take the Deficiency Bills.

365. The Means of meeting those Deficiency Bills would have been by so arranging your Securities that you would have taken out of the Hands of the Public a sufficient Sum to meet that Advance to the Government?

Certainly.

 366. Would

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366. Would not that have greatly augmented the Pressure which then existed; and was not the Contingency by which no Deficiency Bills were required during that Quarter a Circumstance that diminished the Pressure that otherwise would have taken place upon the Public?

I think not. I think that when Deficiency Bills do not exist it is in consequence of there being a growing Exchequer. A growing Exchequer, of course, brings Notes in from the Public, and the Bank has the Employment of those Notes till the Dividend Time. In the other Case, the Notes not being paid in by Government, the Bank would have taken care to have left a Portion of their Reserve for the Purpose of meeting the Deficiency Bills at the Time they might be required. I think it makes no Difference to the Bank whether we have to provide for Deficiency Bills or not, provided we take care to lend out our Money accordingly.

367. Do you apply that Answer not only to the usual Advances of the Bank to the Government upon Deficiency Bills in ordinary Times, but to a special Case when there is an extreme Commercial Pressure, and when your Reserve is reduced to so low a Figure as you have stated it to have been in last October?

I consider it as applying generally, because, knowing that Deficiency Bills will be required at a particular Period, the Object of the Bank should be to make such Provision to meet them.

368. If you had made that Preparation, and had had Eight Millions of Deficiency Bills to provide for, would not the Effect have been to take out of the Hands of Persons who held your Notes a certain Amount of Accommodation which they had in October last?

If we had had 8,000,000 *l.* of Deficiency Bills to provide for, we should have loaned out the Exchequer Money which came in from the Government, to be repaid us at a Period to meet the Dividends; we should have taken care to have lent out that Money only to the Period at which it was wanted for the Deficiency Bills. The Public would have repaid us that Money, but we should have issued it again on Deficiency Bills, and therefore it would have made no Difference in the Circulation.

369. You apply that Argument under every possible State of your Reserve, whether it is great or small?

The Reserve ought always to be regulated in reference to that. When we may be called upon to make Advances for the Payment of the Dividends we must keep an additional Amount of Reserve to meet that extra Demand. It merely affects the Management.

370. Was the Bank placed under any Difficulty in April with respect to the Deficiency Bills?

The Government had given us sufficient Notice. Certainly the Payment of the Dividends brought the Reserve of the Bank lower than it ought otherwise to have been, in consequence of Deficiency Bills having been issued, but at the same Time the Government had given us sufficient Notice to make all the Arrangements.

371. Then you had omitted to take all the Precautions that you think you should have done upon that Occasion to meet those Deficiency Bills?

I think that perhaps the Bank might have taken greater Precautions.

372. According to strict Rules you think that the Bank ought to have taken greater Precautions to prepare themselves?

I think so.

373. With respect to the Questions put to you upon the Subject of the Reserve, you stated Yesterday that in your Opinion if the Bank had been acting as upon previous Occasions, with no Restrictions upon its Issues, and supposing that the Bullion in the Issue Department had still constituted a Portion of the general Reserve of the Bank, there would not have been so large an Amount in its Possession in the Month of August or October, when it had 8,000,000 *l.*?

My Impression is, that it would not have been in possession of so large an Amount. I think that one great Advantage of the Act of 1844 has been, that

that it has obliged the Bank to take earlier precautionary Measures than it did before.

374. Then it is not quite fair to argue upon the Position of the Bank at that Period as having a Reserve of Bullion to the Amount of 8,000,000 *l.*, as if that were a Position which would equally have belonged to it under the previous System?

I think that the only fair Way to argue upon the Management of the Bank on the Principle of the Act is by acting upon the Separation of the Accounts. Before that was made obligatory by the Act of Parliament we were acting upon it in the Bank, and it is the only Principle upon which we ought to have acted. I do not see that the Two Departments can be mixed up together without the one occasionally infringing upon the other, which I consider very undesirable.

375. Supposing that the Bank had pursued the Course of making Advances to Commerce during the early part of last Year, and had made use of their Reserve of Bullion for that Purpose, do you think it is at all likely that the Turn of the Exchanges would have taken place as early as the Month of August, and that you would have had an Influx of Gold?

The additional Issue of the 8,000,000 *l.* would have prevented the Exchanges becoming favourable to the Country, and would have prevented the Importation of the precious Metals.

376. The Result would have been a Prolongation of the Pressure?

I think so.

377. And additional Difficulty in recovering from the Pressure when the Turn took place?

I have no doubt upon that.

378. If the Exchanges had already turned would that have given a Check to it?

It would; and it would have stopped the Current of the Importation of the precious Metals.

379. Before the Act of 1844 the Action of the Bank was, in your Judgment, too liberal?

I think it was.

380. It was contrary to the strict Principle of Banking?

I think it was.

381. Since the Act of 1844 there has been no Option left to the Bank to depart from those strict Principles?

There has been no Option to the Bank to depart from them in any thing connected with the Issue Department. Over the Issue Department of course the Bank have no Power whatever; and with respect to the Management of the Banking Department there has been no Option to the Bank to depart from them.

382. They have been obliged to conduct their Concerns upon the strict Principles of Banking, which are those which would regulate any private Bankers in the Management of their Concerns?

Certainly.

383. In Answer to a former Question you stated that since the passing of the Act of 1844 it has been out of your Power to consider, as far as your Issue Department is concerned, what might be for the Relief of the Commerce of the Country?

Certainly.

384. Before that it was in your Power so to do?

Before that we used to do it. It was in our Power because we did not infringe any Act of Parliament; but the Act of doing it, I believe, always entailed Mischief upon the Country.

Mr. Prescott. I should say that the Bank has not ceased to have a very great deal of Regard to the Support of the Commerce of the Country; and before the Issue of the Letter of the Government many Steps were taken, over

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and above the ordinary Discount of Commercial Bills, for the Support of various Establishments.

Mr. Morris. I understood the Question to be, whether, out of that Portion which formed the Issue Department, we were now enabled to afford any Assistance. Formerly we were able to afford Assistance out of the Issue Department, but now we are restricted from doing so.

385. You conceive that under these Circumstances recourse on any extraordinary Occasion must be had to the Government or to Parliament, whereas on former Occasions of a more trifling Nature the Bank could interfere to remove a Panic?

Or rather to postpone the Panic. I consider that the Act of such a Deviation from the strict Principle was the Cause of creating at a later Period much more Mischief than if the Principle of the Act of 1844 had been carried out.

386. In 1825 did not a Relaxation of the Issues remove the Panic?

1825 is a Year that stands almost entirely by itself. I stated that a large Amount of the general Circulation of the Country had been annihilated, and therefore an Issue by the Bank of England within the Limits of that which had been destroyed certainly had the Effect of restoring Confidence without affecting the Exchanges. But if the Bank had made its Issue equal to the Amount which had been annihilated, instead of its being of Service it would have caused the Stoppage of the Bank.

387. But the Fact was, that the Issue which was made did remove the Panic?

Yes.

388. Did the Government Letter of the 23d of October, giving you Power to increase the Issues, also remove the Panic?

Yes, it did.

389. Then it appears from that, that the giving a Power somewhere to relax the Act of 1844 is a Remedy against any sudden Panic?

In answer to that I must state, that although the Letter of the Government certainly removed the Panic, I have already stated that I am not prepared to say that the Panic might not have ceased even if the Letter of the Government had not been issued.

390. But you admit the Fact that it did remove the Panic?

There is no Doubt it did.

391. Then in the Two Instances,—namely, in 1825, and in October 1847,—the Interference on the Part of the Government to increase the Issues has had the Effect of removing the Panic?

Certainly.

392. Therefore you conceive, as far as your Experience has gone, that the Existence of such a Power tends to remove Panic?

I think that for the Government to have that Power would be injurious, because the Difficulty would be to say when the Power should be made use of.

393. If you could have a Bank Direction of perfect Wisdom and Discretion, you would much prefer to have no Restrictions put upon them whatever, but to leave them to the Management of their own Affairs?

Certainly.

394. The Restriction is therefore a Precaution against the unwise Management of the Bank?

I think I stated Yesterday that the Principles upon which the Bank ought to be carried on are exactly those laid down by the Act of Parliament, and that I thought the Legislature were quite right in restricting the Bank, because upon former Occasions the Bank had certainly abused the Power which they had in their Hands, and for that Reason the Government very properly limited them; but at the same time such Restriction was not necessary, provided the Bank were always sound in their Proceedings.

395. You stated Yesterday that in the event that the Government had not interfered, the Bank had within its own Reach Means which in your Judgment might

might have met the Difficulty. Amongst those Means you adverted to the Sale of Securities. In such a Crisis as that, if the Bank were left to act upon its own Resources and its own Views, does not its Safety very much depend upon the immediate Convertibility of the Securities which it holds?

Yes.

396. It appears, by a Return before the House, that between the Month of January 1844 and the Year 1848 there was a Sum of 2,418,000 *l.* invested by the Bank in Railway Securities; will you have the goodness to explain the Circumstances under which those Investments have taken place?

Upon sound Principles of Banking, it is necessary that a Portion of the Security should be immediately convertible. I consider that a Portion of the Deposits may be placed in fixed Securities, or Securities which are not so available as others; but it is necessary also to keep a certain Proportion which may be available at any Period.

397. It appears, by the Returns before Parliament, that antecedently to the Railway Investmeats there was a considerable Amount invested in Exchequer Bills, and that that altogether ceased in the Years 1844, 1845, and 1846, there being no Investments in Exchequer Bills during that Time, and that contemporaneously with the Cessation of Investments in Exchequer Bills there was an Investment of 2,400,000 *l.* in Railway Securities?

In 1844, I think, the greatest Investments took place. At that Period the Amount of Bullion in the Bank was 15,200,000 *l.*, the Amount of Notes out of the Bank was 21,000,000 *l.*, the Amount of the Bank's Reserve was 8,175,000 *l.*, the total Amount of Deposits was 12,275,000 *l.*; if we add 800,000 *l.* for the Seven-day Bills, that would make the Total of our Banking Liabilities 13,000,000 *l.* The Principle upon which the Bank has generally acted has been to retain One Third to meet the Liabilities; therefore, when I see that the Amount of Reserve was 8,175,000 *l.* for the Purpose of paying 13,000,000 *l.*, the Proportion was much larger than was necessary; and in consequence of that Reserve keeping up so high the Bank thought it necessary to make the Investments that were made upon that Principle.

398. Will you advert to the Year 1846, and take from the Return the last Period of Investment in Railway Debentures?

I will take the 8th of August. On the 8th of August we had 16,000,000 *l.* of Bullion. Our Reserve was 9,000,000 *l.* to meet the Deposits of 17,471,000 *l.*, and if we add the Seven-day Bills we may call it 18,000,000 *l.*; and therefore, instead of keeping One Third we had Half the Amount of our Deposits in reserve, and the Investment was made for the Purpose of employing a Portion of that Reserve.

399. According to the Principles you have laid down do you think it would have been expedient to have invested that Sum in permanent Investments on Mortgage?

I think not.

400. Do not you think that in the Management of a Bank the Convertibility of its Securities is one of the Objects which it ought to keep constantly in view?

Of a Portion of them.

401. Do you think that that Principle has been well adhered to in this Case, and that the Bank stood as well prepared to meet any Exigency that might happen, that Amount of Two Millions and a Half having been invested in Railway Securities, as if, under the old System of the Bank's Management, it had been invested either in Stock or in Exchequer Bills?

Not at that Period.

Mr. Prescott. Exchequer Bills have for some Years past ceased to be that available Security which they used to be.

402. To what do you attribute that?

Partly to the low Rate of Interest which they have borne, and partly because private Bankers have had other more favourite Modes of employing their Money than in the Purchase of Exchequer Bills.

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403. Do not you think that that to a considerable Extent arises out of the very Fact illustrated by this Question,—that a great Mass of Securities, which even the Bank of England has no Objection to accept, are floating in the Market offering a higher Rate of Interest?

Mr. Morris. Certainly. I have always considered that Railway Debentures interfere very much with Exchequer Bills, and also the Practice which has grown up within some few Years of Discount Brokers receiving from Bankers Money repayable at Call; the Bankers preferring to lend their Money in that Way to investing it in Exchequer Bills. Considering the large Amount of Exchequer Bills kept floating,—about 18,000,000 *l.*,—they are not so available a Security as they used to be formerly.

404. You have stated that at a late Period, when Pressure arose upon the Bank, you connected that a good deal with Railway Operations?

The large Amount of Capital which has been invested in Railways.

405. And you would apply that not only to Investments in Railway Stock, but to the Amount of Capital which was withdrawn from the general Money Market in the Shape of Loans on Debentures?

I apply it to the whole of the Money which was raised by the Railway Companies, whether in Railway Stock or in Debentures. A large Proportion of it was expended in Works which would not become productive for a certain Period.

406. Then, as far as that was inconvenient in its Results, it was connected with those Investments at a prior Time by the Bank of England?

As to the Effect;—when the Bank of England invest their Money in this or any other Security they naturally look at the Security which the Investment offers, and the Rate of Interest which it pays, without considering whether it may be a Security that may ultimately produce any Mischief in the Country from the great Demand for Money which may take place from it.

407. Were those Bonds bought in the Market, or were they the Result of Arrangements with different Railway Companies?

I am not quite sure, but I think that nearly the whole of them were Arrangements made through Brokers with the Companies; but some of them were purchased in the Market.

408. Is the Bank still the Holder of them?

I think the Amount the Bank holds now is about 1,600,000 *l.*, others have run off, and I think in the course of this Year about 800,000 *l.* are running off. The principal Part of them were taken for Three Years; it was considered that as they would fall due at certain successive Periods they were an available Security for the Bank, because they would fall in at certain Periods to meet any Exigency.

409. You do not think that with the large Surplus Capital of the Bank Railway Debentures are a bad Security, provided they be sufficiently limited in Amount, and there be a sufficient Amount of immediately convertible Securities in the Possession of the Bank?

I think a limited Amount desirable.

410. Have not the Bank lent upon Mortgage?

I think in 1825 the Bank did lend largely upon Land.

411. That was a more fixed Investment?

We could do nothing with it as available Assets.

412. They have not lent so much latterly upon Mortgage?

I think we have about 600,000 *l.* upon Mortgage now.

413. You would consider Railway Debentures preferable as a Mode of Investment?

Yes.

414. For many Years past nothing has been lent by the Bank upon Mortgage?

We have lent latterly to some Firms on Mortgage, for the Purpose of giving Assistance, that being the only Security we could obtain.

415. Not as an Investment?
No; we were obliged to advance upon Mortgage at Five per Cent. when we could have lent the Money at Eight.

416. You said that the Railways were the Cause of the great Demand for Money. What do you consider became of the Money employed in the Execution of the Works; was it sunk?
No; the Money was not sunk, but the Labour was, and it was not reproductive. It gave very great Employment in the Country, and that caused a Rise in the Value of Labour, and naturally caused a great Extension of the Circulation. It required more Money to do that than would have been required provided that large Investment had not taken place; but as far as the Money of the Country was concerned, except as regards the Export of Bullion to meet additional Imports to supply the increased Consumption by the Persons employed upon Railways, it did not affect the Money in the Country at all.

417. Has the Bank ever had any thing to do with Foreign Railways?
Never.

418. Is it one of your Rules never to advance Money upon Foreign Securities?
We have never made any Advance upon other than British Securities.

419. You have stated that your Circulation was required to meet the Payment for Labour brought on by the Demand for the Railways; was, in point of fact, your Circulation increased during the Six Months preceding the Month of April?
That I am not able to answer off-hand. From these Returns I am not able to say positively whether it was the Fact or not; but I cannot doubt that the increased Quantity of Labour, and the increased Quantity of general Transactions throughout the Country, must have necessitated an increased Issue of Paper, and an increased Amount of Circulation. The Notes with the Public seem to have been as nearly as possible the same. The Average seems to have been from 19,000,000 *l.* to 20,000,000 *l.*; from December the 19th to April the 12th there seems to have been very little Variation in the Amount of Notes.

420. Was not there a great Reduction in the Scotch and Irish Notes?
I believe there was. But then I rather think that in Scotland and Ireland there was a large Substitution of Gold for Notes.

421. Was that Substitution of Gold for Notes equal to the Notes withdrawn?
I cannot say.

422. Are there any Means of ascertaining that?
I will try to ascertain it.

423. When you speak of 2,000,000 *l.* having gone into the Country for the Purpose of paying Labourers, have you any Means of knowing, when Sovereigns go out from the Bank, to what Place they go, or for what Purpose they go?
When I spoke of 2,000,000 *l.* of Sovereigns going out, I stated that that was at the Time of the Panic. We can trace the general Way in which the Sovereigns go out. It is impossible to say exactly where they go to, but we find that so many go to Liverpool, a certain Quantity to our different Branches, and the Bankers take certain Amounts. I have a slight Record of that sort, but nothing that can be relied upon.

424. You cannot be positively certain that they do not go abroad?
It is possible that a portion may have gone to America, because I stated that I considered that about 7,500,000 *l.* had gone abroad from the Bank in Payment of Foreign Imports; and in addition to that I imagine that 1,500,000 *l.* might have gone out by other Means.

425. Did not the Depreciation from the Wear of the Coinage, which continued for some Time, in your Opinion, check the Circulation of Gold in the Interior? Did not People hold it with Reluctance, from the Fact that when it came to London it was often found deficient in Weight?
I think that at the Time we bought light Gold by Order of the Government the Amount of Gold which we received was much larger than the Amount

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we issued against it; but by Degrees those Proportions have re-adjusted themselves. But at that Period the Public certainly did not like Gold.

426. Do you now weigh the Sovereigns in and out?
Every one is weighed that comes in.

427. And you reject the light ones?
We do not reject them; we clip them.

428. How do you pay the Holder?
At a certain Price.

429. Are there many that are light now?
A great Number; every Year there is a fresh Class. The Class which pass full Weight one Year by the Wear and Tear of the next Year lose sufficient to make the Scale turn against it.

430. Do not you think that that State of the Coinage is likely to check the Inclination of People to hold Gold?
I think since the Government Measures of taking in the light Gold the Proportion is so trifling that nobody pays any Attention to it now.

The Witnesses are directed to withdraw.

Ordered, That this Committee be adjourned to Monday next, at Two o'Clock.

Die Lunæ, 14° *Februarii* 1848.

The LORD PRESIDENT in the Chair.

JAMES MORRIS Esquire, Governor of the Bank of England, and HENRY JAMES PRESCOTT Esquire, Deputy Governor of the Bank of England, are called in, and futher examined as follows:

431. CAN you deliver in the Particulars of the Reserve held by the Bank at the Period when it was at its lowest in October 1847?

I have a Return, which I will deliver in.

The same was delivered in, and is as follows:

PARTICULARS of the RESERVE held by the BANK.

DATES.	RESERVE.		LONDON.		COUNTRY.	
1847:		£		£		£
Oct. 23	Notes -	1,547,270	Notes - -	981,615	Notes - -	565,655
	Coin - -	447,246	Gold Coin -	209,844	Gold Coin -	78,399
			Silver Coin -	104,045	Silver Coin -	54,958
		£ 1,994,516		1,295,504		£ 699,012
			Country -	699,012		
				£ 1,994,516		
Oct. 30	Notes -	1,176,740	Notes - -	568,470	Notes - -	608,270
	Coin - -	429,384	Gold Coin -	151,053	Gold Coin -	119,554
			Silver Coin -	105,787	Silver Coin -	52,990
		£ 1,606,124		825,310		£ 780,814
			Country -	780,814		
				£ 1,606,124		
Nov. 6	Notes -	2,030,085	Notes - -	1,347,910	Notes - -	682,175
	Coin - -	303,021	Gold Coin -	67,412	Gold Coin -	85,300
			Silver Coin -	92,833	Silver Coin -	57,478
		£ 2,333,106		1,508,153		£ 824,953
			Country -	824,953		
				£ 2,333,106		

432. It appears by the Account you have delivered in of the Particulars of the Reserve, that when the Reserve of Notes was at its lowest, namely, 1,176,740 *l.*, of that there were only 568,470 *l.* of Notes in London, and that of the Gold Coin you had only 151,053 *l.* in London, making together, both of Gold Coin and of Notes, only 719,523 *l.* It is presumed that the Amount of Silver Coinage of 105,000 *l.* you did not take into Consideration, inasmuch as Silver Coinage does not add to your Power of paying Demands upon the Bank, except in Small Sums?

As far as paying Fractional Parts go, naturally we should pay out a Portion in Silver, but the Amount so paid would not be of Importance. Any Amount under a Pound would be paid in Silver.

 433. But

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433. But the Amount of Silver does not in fact add any thing worth mentioning to the Means of the Bank?
No, it does not.

434. Therefore, when it was at its lowest, you were reduced to the Sums that have been stated. Now, if at that Period Notes had been asked of you, to the Extent of 568,470 *l.*, the Bank, as far as Notes were concerned, would have been entirely exhausted?
Provided the Bank did not take Means of providing other Notes out of the Market to meet those Demands.

435. But if the Demand had come suddenly upon you, you would not have been able to pay it?
If the Demand came upon us in the usual Course of Business, we might get Notes out of the Market.

436. Would it not be rather a difficult Scramble, upon a Demand coming upon you, to have to realize some of your Securities for the Purpose of getting the Means of paying that which the Bank was bound to pay?
If I am to contemplate that the Demands come suddenly, and that the Parties come for the Purpose of running upon the Bank, it might be difficult; but if those Demands came in the usual Course of Business, then there would not be much Difficulty in getting Notes in the Market.

437. If you refer to the Paper, you see that only a Fortnight before, on the 16th of October, you had a Reserve of Notes to the Amount of 2,630,115 *l.*, consequently, in that Fortnight, there was a Reduction in your Reserve of nearly 1,500,000 *l.*, that is to say, equal to nearly Three Times the Amount of the Reserve of Notes remaining with you on the 30th of October?
Yes.

438. Now, seeing that a Demand to that Extent can come upon you so rapidly as that, can you think that the Bank could be in any tolerable State of Security, with so small an Amount of Reserve Notes?
This brings me back to the Point, that when the Government Letter was issued, then I consider we were acting according to the Wishes of the Government in giving every possible Facility to Parties without considering the Necessity of maintaining our Reserve as we should have done upon sound Banking Principles. If we had not had Permission to extend the Issues beyond 14,000,000 *l.* we should never have allowed the Reserve to have gone down so low as it did. It is extremely important it should be understood that the Time when the Bank ceased to be responsible for the Amount of Reserve was on the 23d of October. I stated that on the 23d of October we had an Intimation from the Government that the Letter would be sent to us, and we, in consideration of that Intimation, acted as though the Letter had been sent to us, and gave additional Accommodation on that account.

439. Would the same Answer apply if the Question referred to the 23d instead of the 30th?
Certainly. The Responsibility of the Bank to provide for the Security of the Banking Department ceased after the 22d of October 1847. On the 23d of October it was intimated that the Government Letter was to be issued on the 25th of October, and it was understood that the Bank was to act on that Day, the 23d, according to the Spirit of the Government Letter; the Accommodation, in consequence, on the 23d of October was upon that Understanding, and the Reserve necessarily thereby diminished. It has been stated that the Stability of the Banking Department was at the Mercy of the London Bankers, and that they threatened a Run upon the Bank for the Purpose of damaging the Act of 1844. The following Statement will prove that such could not have been the Case:—On the 22d of October the Reserve was as follows, namely, in London 1,600,025 *l.*, in the Country 776,447 *l.*, making together 2,376,472 *l.*

440. Is that Notes or Notes and Gold?
This includes both Notes and Gold. The Bankers Balances were 1,774,472 *l.*; of these a large Amount belonged to One Firm, whose Chief's known Approval of the Principles of the Act of 1844 was a Guarantee that no hostile Proceedings were to be apprehended from that Quarter. If the Amount to the Credit of that

that Firm, and others favourable to the Act, be deducted from the Amount due to the Bankers, it is clear that any Effort of the other Bankers to injure the Bank must have proved futile. I have investigated the different Balances, and I have found that, even assuming those Parties supposed to be hostile to the Bill had wished to act against the Bank, they certainly could not have withdrawn a Million from the Bank Deposits. I wish it to be understood that the Period to which the Bank were responsible for maintaining the Law was up to the 22d of October. Up to the 22d of October the Resolution of the Court, which I read on a former Day, states that the Bank considered that they were not in a Position to require that Letter. I also made the same Statement to Her Majesty's Government; therefore I stand upon the 22d of October as the Day up to which we were responsible.

441. In the Amounts which you have just stated can you distinguish Notes and Coin?

In London the Notes were 1,267,905 *l.*, the Coin was 332,120 *l.*; making 1,600,025 *l.* The Coin is as available for the Purpose of meeting the Liabilities as Notes; if there is a greater Demand for Notes than for Coin, and if we have not a Sufficiency of Notes, we have only to exchange Gold Coin against Notes. Therefore the Gold Coin is quite as available for the Purpose of meeting our Liabilities as Notes.

442. Can you exchange Coin for Notes unless Parties come to claim Coin?

Yes. The Banking Department would demand Notes of the Issue Department in exchange for Gold; therefore, whether the Reserve consists of Gold or Notes it is the same Thing. I admit that the Silver, which seldom exceeds 100,000 *l.* or 200,000 *l.*, is differently placed.

443. You say that after the 22d of October you acted upon the Principles laid down in the Letter of the Government. It appears that in the Week ending the 23d of October divers Sums of Money were issued, some at Six and Three Quarters per Cent., some at Six and a Half, and some at Five and a Half. Were those issued previously to the 22d of October?

That I cannot say. It is probable that they consisted of Discounts or Advances made in the Course of the Week. The Account was made up from Saturday to Saturday. Therefore naturally a Portion of it would have been on the 23d as it would include the Six Days, but how much was on the 23d I cannot say.

444. Were any of those sums issued on Discount at less than Eight per Cent. lent after the 22d of October?

Nothing was lent under Eight per Cent. after the 22d of October.

Mr. Prescott. I think that is scarcely accurate. According to my Recollection there was no Alteration in the Bank's minimum Rate of Interest on Saturday the 23d. The Rate of Eight per Cent. was not adopted as the Minimum until the Monday.

Mr. Morris. Although we put on high Rates on the Saturday we did not act on the Government Rate till the Monday.

445. On the Saturday you acted in conformity with the Directions of the Government as far as regarded the Relaxation of the Restrictions, but you did not act upon the Directions of the Government as far as related to the Rate of Interest?

Exactly.

446. At what Rate of Interest were you acting before the Government desired you to adopt the Rate of Eight per Cent. as the Minimum?

I think we were discounting at about Seven and a Half; there were One or Two Occasions on which some Parties were charged Nine per Cent. under peculiar Circumstances.

447. You have stated that you began to act upon the Government Letter on Saturday the 23d of October, and you found in consequence of that Relaxation, notwithstanding the Reduction made in the following Week in the State of your Reserves, still, that by continuing to act upon the Principle of Relaxation, the Bank recovered its Position, its Reserve increased, and the Bullion flowed in?

On the 6th of November the Returns show an Improvement in the Reserve of the Bank, and an Increase in the Amount of Bullion.

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448. You said that when the Government put upon you the Obligation of taking Eight per Cent. as the Minimum of Interest, under particular Circumstances you took Nine; what description of Circumstances were they which induced you to advance at Nine per Cent.?

That was before the Government Letter was issued.

449. And before you knew it was coming?

Yes. We had lent out the Government Money until the Period at which the Payment of the October Dividends became due. It was understood that all Parties who had borrowed Money upon Consols, Exchequer Bills, or other Securities, were to repay such Loans at a particular Date. One Party who had to repay 500,000 *l.* came and said, "I have a very large Amount to repay you, will you allow me to repay a Portion one Day, and the other Portion on another Day;" he was answered, "There is no Objection to that;" he accordingly paid us off one Portion, and for the remaining Portion he ought to have paid, instead of doing so in Bank Notes he sent in a large Amount of Bills for Discount. The Answer to that was, "We have not refused any Parties Discounts who have applied to us, but the Rate of Interest will be a Subject for Consideration." We ascertained that the Rate of Interest on the Stock Exchange was Nine and Ten per Cent., therefore we told him, that if he chose, instead of paying us Bank Notes, to discount Bills for the Purpose of repaying us, the Rate he would be charged would be Nine per Cent.

450. Do not you consider that any Person, whether a Merchant or a Banker, taking Money at Nine per Cent., must have an extreme Pressure upon him, and that it must be done to meet some pressing Engagements?

He would only have taken it of us, because he required the Money.

451. Do you think, considering the Position of the Bank of England and the great Amount of its Capital, if it has the Power of giving Accommodation at all, it is discreet and proper so far to press upon the Necessities of Applicants as to put upon them an Interest of Nine per Cent.?

Undoubtedly. If we had discounted at a lower Rate than Nine per Cent. the Probability is, that discounting at a lower Rate, the Demands upon us would have been greater than we could have been able to meet. I maintain that the Rate of Discount regulates the Demand for Discounts. The Effect of a high Rate of Interest was to cause a large Import of Bullion into the Country; Money being scarce, and the Employment of it valuable, was an Inducement to Merchants to exert themselves to bring in Bullion with the greatest Rapidity.

452. Can you state the Amount of Accommodation which you gave on Saturday the 23d of October, and the Rate of Interest charged upon that Accommodation after you had received the Sanction of the Government, but while you were not acting upon the Restrictions with regard to the Amount of Interest?

The Discounts in London on that Day were 225,000 *l.*, at Rates varying from Five and a Half to Nine per Cent.

453. You stated that at the time you made that Advance at Nine per Cent. to this Party you ascertained the ordinary Rate of Discount in the Market to be about Eight and a Half?

I was speaking of the Rate at which those Parties could have borrowed Money upon the Stock Exchange. I do not think it was fair upon us when we expected to be repaid a large Sum of Money for the Purpose of enabling us to pay the Dividends that we should be called upon to have Bills of Exchange sent in upon us; therefore our Object was to put them in the same Situation in which they would have been had they borrowed the Money on the Stock Exchange. The Rate of Interest upon the Stock Exchange was from Nine to Ten per Cent., and we told them, "If you like to have your Bills discounted at Nine per Cent. we will discount them."

454. Supposing you had advanced to those Parties the Sum they required at Eight or Eight and a Half per Cent., that is to say, below the Rate at which Advances were made in the Market, what would have been the Effect upon the Bank?

The Effect upon the Bank, whether we advanced it at Eight and a Half

or

or at Nine per Cent., would have been about the same; but the Effect out-of-doors would have been that the lower the Bank's Rate of Interest the lower the Rate of Interest would be out-of-doors.

455. Supposing the Market Rate was, from natural Causes, at Eight and a Half, would not the lowering the Rate at which Money was advanced by the Bank have had the Effect of drawing a considerably larger Number of Applications to the Bank?

Undoubtedly, it would have had that Tendency.

456. At that Time the high Rate of Interest in the Market had checked the Number of such Applications?

Certainly. The Effect was to check Applications.

457. Therefore, if the Bank had professed its readiness to advance Money at a lower Rate of Interest than that at which it could be obtained in the Market, it would have increased the Number of Applications and attracted them to the Bank?

It would have had that Tendency.

458. Do you conceive that a Tendency of that Description at that Moment would have been safe, looking at the general State of Commercial Affairs at that Time?

The Rate we charged was regulated by what we considered necessary for the Protection of our Reserve.

459. With reference to the Protection of your Reserve, not with reference to the Rate of Interest in the Market?

Not with reference to the Rate of Interest in the Market, but for curtailing the Applications made to us.

460. With the view of protecting your Reserve, are you not obliged to look at the Rate of Interest in the Market?

For the purpose of protecting our Reserve we are obliged to look at the Demands made upon us, and the greater the Facilities we give to Parties applying to us the greater will be the Demand.

461. Looking at the Question with a view to the Condition of your Reserve and the Protection of your Reserve, supposing you had professed your Readiness to advance Money at a lower Rate of Interest than that required in the open Market, would not that have attracted Applications to the Bank which would in some Degree have affected the Security of the Concern?

That might have inconvenienced the Bank.

462. Do not private Parties generally discount at a Half per Cent. less than the Bank? Are not they guided by the Rate of Interest at the Bank?

At the present Moment, Money being extremely abundant, the Rate of Interest out-of-doors is lower than the Bank Rate; but when Money is scarce the Bank is the chief Discounter. At the Period of which we are speaking there was scarcely any one discounting but ourselves; every one came to the Bank.

463. You, knowing that Money was hoarded at that Time, could have seen no Harm, supposing your Reserve had been in a better State, in giving Accommodation at a lower Rate?

When I made use of the word "hoarded," perhaps I may not have made use of a very appropriate Term. I meant to say that Parties anticipating a Scarcity of Money were keeping larger Reserves than they otherwise would have done.

464. Therefore the lowering the Discounts Half per Cent. would not have had any serious Effect upon the Exchanges?

The higher the Rate the greater the Rapidity of bringing Capital into the Country, of course.

465. Do you consider that Parties out-of-doors could have discounted at a lower Interest?

I do not think that Parties could have discounted at a lower Rate of Interest than the Bank discounted at.

466. Did you not in November discount at a still higher Rate of Interest?
As soon as the Government Letter was in operation the minimum Rate of Discount for First-rate Bills was Eight per Cent. We charged an additional Rate for Bills of inferior Quality.

467. And that amounted to Nine and a Half in some Cases?
It probably might.

468. What do you mean by "different Quality of Bills"?
I should call a Bill a First-class Bill that had Two undoubted Names upon it. A Bill which may have one first Name and another Name that does not offer the same Security is naturally a Bill of a different Class.

469. Is not that the Class of Bills which come up generally from the manufacturing Towns, and which carry on the ordinary Commerce of the Country; are they not generally Second-class Bills?
I do not think so. I should almost think that a very large Proportion of the Bills discounted by the Bank are First-class Bills.

470. The Question refers to the small Country Bills that come up upon manufacturing Agents in London from the Interior of the Country?
Those would not be considered as First-class certainly.

471. How do you account for the Variety of Rates at which you discounted Bills in One Week at the Bank, at Five and a Quarter, Five and a Half, Five and Three Quarters,—every different Rate, up to Nine and a Half?
Five and a Half was almost a nominal Rate for Bills having only a few Days to run. The Difference of Rate had reference not only to the Solidity of the Bill, but also to the Time that the Bill might have to run,—what the French call the "Echéance" of the Bill.

472. Is the Classification which you have described, and the Distinction between First, Second, and Third Class Bills, as the case may be, invariable, or does it change from Time to Time, according to Circumstances?
The Discount Committee consists of Three of the Members of the Court, who meet daily for the Purpose of considering the Bills brought under their Notice. The Principal of the Discount Office is always present. The Intention is to vary the Description of them as little as possible, and to carry out One uniform Plan of Classification.

473. Take, for instance, the State of Things at the present Moment, as compared with the State of Things Twelve Months back; would West India Bills appear in the same Class of Bills at the present Time as they did this Time Twelvemonth?
I should think that almost any Class of Bills would be looked at very differently now to what they were this Time Twelvemonth, when, generally speaking, the Stability of Firms was considered greater than it is now. I mean to say that there was then a greater Degree of Confidence in the Commercial World.

474. Taking the great Amount of Bills at the present Moment under Discount by the Bank of England, would there be a smaller Proportion of those reckoned as First-class Bills in a Time like the present, than in a Time when Commercial Matters were easier?
I should think there would be nearly as many now.
Mr. Prescott. I think that so many discredited Houses have fallen that the Proportion of First-class Bills would be at least as large now as usual.

475. Go back a Couple of Months. Would they have been the same then?
In the Month of September I should say there were a great many Bills in the Market offered for Discount that were looked upon with Doubt and Apprehension.

476. In those Periods of great Pressure would there be many Bills that would not be dealt with as First-class Bills, which, in different Circumstances, would receive that Denomination, and be dealt with as such?
I think so.

477. Was not the old Rule of the Bank to have One invariable Rate of Discount?
Mr. Morris. It was.

478. When

478. When was the alteration made by which it was made a varying Rate?
In the Month of September 1844.

479. It was after the passing of the Act?
Yes.

480. Previously to that was the Rate of Discount the same for Bills of any Length of Time and the same for all Parties?
The Limit of the Bills was Ninety-five Days; it was invariably the same Rate whether the Bills were good or whether they were indifferent. I do not mean to say that bad Bills were done, but supposing the Bills were passed they were done at that Rate.

481. Do you consider that the passing of the Act of 1844 made such an Arrangement as you have described of Classification of Bills indispensable, or was it merely an Arrangement which, your Attention having been called to the Subject, you would have made without any Reference to that Act?
Our Attention had been called to the Subject long before the passing of the Act, but the System was adopted after the passing of the Act.

482. But before the passing of the Act you had not adopted that Principle?
No.

483. Was it intended to adopt that Principle, if the Act had not been passed?
Whether that Act was passed or not, that Principle ought to have been adopted.

484. Are the Notices of the Rate of Discount now issued of the minimum Rates?
We have ceased to issue Notices. It is known that at present Four per Cent. is the minimum Rate for Bills of the First Class not having more than Ninety-five Days to run.

485. When was the Practice adopted of issuing a Notice, or at least of conveying an Intimation of a minimum Rate in place of an invariable Rate?
I think it must have been the latter End of 1844.

486. Is there any Notification given, or are the Public made aware in any Way of the minimum and the maximum Rate, or, in other Words, between what Limits the Rate of Discount at the Bank of England is confined?
No.

487. In fixing the Rate of Discount from Time to Time at the Bank you look at the Rate in the Money Market?
We do.

488. Have you any fixed Rule by which you judge of the Rate at which the Bank ought to advance upon Discount as compared with that prevailing in the Money Market?
A Special Committee was appointed for the purpose of inquiring into the Subject of the Bank Discounts, and they recommended that the Principle adopted should be that a Reference should be made to the Market Rate of Interest.

489. That is with reference to Discounts?
Yes.

490. Can you state what the main Recommendations of that Committee were?
The main Recommendations were, first of all, that it is advisable from Time to Time to advert to the State of Discounts out-of-doors, for the Purpose of considering the Market Rate, in order that the Bank should assimilate its Rate to the Market Rate.

491. Did they offer any Recommendation as to the Point at which it is desirable that the Bank should fix its Rate, with reference to the Market Rate?
No; merely that in fixing the Rate, we should advert to the Market Rate out-of-doors.

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492. They did not state that the Rate should be fixed either above or below, or at the same Amount?
No.

493. In your Office as Governor of the Bank, is it your Opinion, that the Bank, after having ascertained the Rate in the Market, should fix the Rate of Discounts at the Bank either above or below, or at the same Point which prevails in the Market?
That almost brings me to the Principle of the Management of the Bank. In regulating the Rate of Interest we look of course to the State of the Reserve. We are either to increase or to diminish the Amount of the Reserve, as may be required, by raising or lowering the Rate of Interest, or by the Sale or Purchase of Securities. Supposing the Demand upon the Bank, for instance, was considerable, and more than the Bank were able to afford, it would be necessary to put up the Rate of Discount. On the other hand, if the Reserve of the Bank was increasing, and it was not thought advisable to purchase Securities, naturally the Rate would be put down. The putting up or the lowering of the Rate would be guided by the State of the Reserve, reference being also had to the Rate of Interest in the Market.

494. Do you think there are many Occasions when, considering the great Extent of the Transactions of the Bank, it is desirable that the Rate at the Bank should be below that in the Market?
I do not think that is of any Importance.

495. Would it not lower the Rate in the Market?
The Bank can only lower the Rate for a limited Period. The Bank may raise the Rate of Interest by withdrawing its Notes, but the Bank cannot lower the Rate beyond a certain Period. If the Bank was to go into the Market and make Money cheap, when the Means of doing so by the Bank were exhausted, those who might have Notes out-of-doors would be able to discount at a higher Rate.

496. Of course that Effect would be limited within a certain Period?
Yes.

497. Supposing the Bank to be in the Position in which it stood towards the End of 1846—what was the Amount of the Bank's Reserve at that Time?
Supposing you take August the 22d, which was before it put the Rate of Interest down, the Amount of Bullion was 16,177,000 *l.*, and the Reserve was 9,500,000 *l.*, and the Rate of Interest was then Three and a Half per Cent.

498. It appears that the Bank's Notes alone on the 22d of August were 9,500,000 *l.*, and that the Reserve was about 10,000,000 *l.* at that Period. What were the Liabilities at that Time?
16,900,000 *l.*

499. Exclusive of Notes?
Exclusive of Seven Days Bills.

500. At that Period the Bank had a Reserve of about 10,000,000 *l.* and Liabilities to the Amount of 17,000,000 *l.*?
Yes.

501. At that Period, instead of the usual Proportions, which assume a Reserve of about One Third of the Liabilities, you had a Reserve amounting to nearly Two Thirds, at least considerably more than Half the Amount of your Liabilities?
Yes. The Exchequer read extremely high on that Day, 5,700,000 *l.*, which would be required at the beginning of October, for the purpose of paying the Dividends; this Amount must naturally be excluded from forming a Part of that Third. The Bankers had 2,500,000 *l.*, which is about a Million and a Half more than they generally have, so that the Disproportion is not so much. Still the Reserve was much larger than was required.

502. Might not the Bank at that Time have safely thrown some Three or Four Millions from its Reserve upon the Market?
I think Three or Four Millions would have been a large Amount.

503. Three

503. Three Millions would have reduced the Reserve to Seven Millions?
Three Millions would have reduced it to Seven Millions. For the Purpose of effecting a Reduction in the Reserve, the Bank lowered the Rate of Discount to Three per Cent. The Exchanges being extremely high, Bullion flowing into the Country, and the Bank's Reserve increasing, the Rate was put down to Three per Cent. for the Purpose of checking the increasing Amount of the Reserve by the Importation of the precious Metals.

504. Can you say what the Market Rate of Interest was at that Period?
It was decidedly under the Bank Rate.

505. Under those Circumstances the Bank was of course in any Case justified in lowering the Rate of Interest?
Yes. The Amount of the Reserve justified the lowering the Rate of Interest.

506. If your Rate of Interest is not lower than that of the Market, have you any great Risk of excessive Applications?
From temporary Causes the Rate of Interest in the Market may be lower than the Bank's Rate, and soon after it may come up to it again.

507. Supposing that the Rate of Interest in the Market had been somewhat higher than you have stated it to have been, the Bank having a Reserve of 10,000,000*l.*, and its Liabilities 17,000,000*l.*, do not you think it would have been an expedient Course for the Bank to have lowered its Rate below the Rate in the Market?
That State of Things could not have existed. If the Bank's Rate had been lower than that out-of-doors, the Public would have applied almost exclusively to the Bank.

508. Supposing you found that your Reserve had accumulated to the Amount of 10,000,000*l.*, your Liabilities being 17,000,000*l.*, and you wanted to relieve yourselves of a Portion of that Reserve, would it have been safe for the Bank to have lowered the Rate of Interest?
The Bank would rather have purchased Securities.
Mr. Prescott. I conceive that in order that the Bank should retain its Discounts it is quite sufficient for it to reduce its Rate to the Level of the Market Rate. There are many Persons who prefer discounting at the Bank to discounting elsewhere, if it can be done on equal Terms.

509. In the Instance now referred to, the Market Rate was below the Rate to which the Bank reduced its Rate?
Mr. Morris. We were discounting at Three and a Half per Cent. My Impression is, that the Rate out-of-doors must have been below Three and a Half per Cent.

510. You have been asked some Questions about the Intricacies between the Market Rate and the Bank Rate of Interest. Will you state, as a Person of Experience in Business, as well as Governor of the Bank, whether you do not conceive that a Body like the Bank of England, with a large Capital, with the Power of issuing 20,000,000*l.* or more of Notes, and holding Twelve or Fifteen Millions of Deposits, coming into the Market of any Country in the World where it is established, does, in point of fact, command the Rate of Interest in the Country; and that when you speak of the Market Rate of Interest, it is not really the small retail Dealers (if we may so call them, as compared with the great Dealings of the Bank of England,) which, in point of fact, command the Market Rate of Interest, nor can the Bank of England, in many Cases at least, be said to follow the Market Rate of Interest?
I do not think that in ordinary Times the Bank has more than its proper Proportion of Discounts. I consider that in London the Discounts by other Parties, the great Discount Brokers and Bankers, must be equal to the Amount which the Bank holds under Discount.

511. Do you think that they have as many Millions of Capital disposable for the Purposes of Discount Accommodation?
I think that the Discount Brokers and other Parties afford altogether to the Public an Amount of Discount equal to that afforded by the Bank, except in Times of extreme Pressure.
Mr. Prescott. As a Proof that the Bank does not regulate the Market Rate of

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Interest, I would observe, that previously to the Adoption of the new System of discounting by the Bank in August 1844, the Bank Rate of Interest being Four per Cent., I do not think the Bank held above Two or Three hundred thousand Pounds of Discounts in London, the Market Rate being at that Time not above One and Three Quarters to Two per Cent.

512. When the Rate of Interest was very low, Two per Cent. and under, the Bank not discounting in that Case, undoubtedly it would leave the Market to itself, except in so far as the Bank acted upon the Market, either by purchasing other Securities or by the Employment of its Capital in some way or other; but the Moment that the Bank come really with their Powers upon the Market, do not they, in fact, mainly govern the Rate of Interest?

When the Rate of Interest was reduced to Two and a Half per Cent., the Amount which the Bank had under Discount in London was only 113,000 *l.* The Rate of Interest at that Time out-of-doors was Two per Cent., and it was a Question whether we ought to put the Rate down to Two or Two and a Half per Cent., but it was considered better to put it down to Two and a Half, in order to allow the Market Rate to come up to that of the Bank. When the Market Rate rose to the Level of the Bank Rate, the Bank Discounts increased, and for a Time the further Increase of the Market Rate was checked.

513. The Rate of Interest depends not only upon the Notes employed in Discount, but upon the Employment of your Money in Securities of different Descriptions?

The Rate of Interest affects the Value of Securities and Money out-of-doors.

514. Did not the Relaxation in the Action of the Bank in October, in consequence of the Letter of the Government, relieve both the Distress in Trade and also the Rate of Interest?

Yes. The Reason of the Restoration of Confidence was this: Parties having larger Reserves of Notes than usual parted with them, and that caused the general Circulation to become easier.

515. Then the Bank, in some Manner, whether it was by the actual Supply of additional Capital or by the Restoration of the Confidence which was wanting, did upon that Occasion act upon the Value of Money in the Market?

I should say that the Government Letter did produce that Effect.

516. When you say that the Government Letter produced that Effect, was it not the Action of the Bank under the Government Letter? If there had been a Government Letter, and the Bank had refused to act upon it, of course the Pressure would not have been relieved?

Probably not so soon.

Mr. Prescott. The Reduction in the Rate of Interest has arisen in a great Measure from the Influx of Bullion.

517. When did the Bank first depart from the old legal Rate of Interest of Five per Cent.?

Mr. Morris. I do not think it was before 1839.

518. Up to that Period the Bank was limited by Law to a Rate of Interest at Five per Cent.?

Limited by Law.

519. You must have witnessed a great many Panics and Periods of Distress before that Period; do not you consider that the Power which has since been exercised by the Bank of varying the Interest from Two and a Half per Cent. up to Nine and a Half has tended to render the Sufferings more pressing arising from those great Panics taking place, than was the Case when they acted under the old legal Rate of Interest of Five per Cent.?

I think that the Power which the Bank has had of putting up the Rate of Interest has been a very essential Assistance to the Country.

520. But it has the Inconvenience of exposing the Trade of the Country to an enormous Rate of Interest at particular Periods?

Not arising out of any Act in the Management of the Bank, but arising out of the unfortunate deficient Harvest, and the very large Importation of Food.

521. The

521. The Question is not now what it arose from, or whether the Bank was not under the Necessity, under the Act of 1844, of doing what they did; but the Question is with respect to the Effect, in point of fact, of exposing the Trade of a great Commercial Country, having its Ramifications with all Parts of the World, from small Transactions up to large, to occasional Fluctuations of the Interest of Money between Two and a Half and Nine and a Half per Cent.; and whether you think that this Country or any other Country can thrive under that State of Things?

I think that if the Bank had not had the Power of putting up the Rate of Interest to the Extent they were enabled to do, the Consequence would have been that the Bank would have been obliged to refuse all Discounts; when the Demand for Money has been very urgent, the Bank must either have sold Securities to get Bank Notes to let out in Discounts or they must have refused Discounts altogether. I think the Inconvenience arising from that Proceeding would have been infinitely more serious than that of Parties paying a high Price for that which they absolutely required.

522. But did not that Difficulty and that Danger arise entirely from the Limitations of the Act of 1844?

I think if the Act of 1844 had not existed, the Danger would have been that the Bank would have given more Accommodation than they ought to have given, and that we should have lost a large Portion of our Bullion, and that in the Act of recovering our Position more Mischief would have been caused than was caused by the Operation of the Act of 1844.

523. You having in reality a Margin of Eight Millions and a Half, while you were reduced to a Margin of less than a Million by the artificial Consequences of that Act of 1844, you think that you would not have been able to leave the Trade in a State of greater Freedom and less Absence of Pressure under the old State of the Law than you were under the new?

This of course is mixing up the Two Departments, the Issue Department and the Banking Department. Certainly, prior to the passing of the Act of 1844, Assistance might have been given at the Moment; but the Effect of giving that temporary Assistance would have been to affect the Exchanges, and so cause an Export of precious Metals, and consequently the Bank would have been placed in such a Position that we should have been obliged to take very stringent Measures for the Purpose of maintaining the Convertibility of the Note, the Effect of which would have been to throw the Country into a much worse State than any thing caused by the Act of 1844.

524. You do not consider that it was a great Injury to the Country to be exposed to an extreme Fluctuation in the Interest of Money?

I think that for any Country to be exposed to great Fluctuation is extremely undesirable; but the Causes of that arose not from any thing originating in the Act of 1844, but from a deficient Harvest and a large Export of precious Metals to pay for the Importation of Food.

525. Did you ever see under any former State of Pressure or deficient Harvest of that Kind the same Variations in the Interest of Money?

In my Experience I have never seen Speculations carried to such an enormous Extent as in 1846 and the Beginning of 1847; nor have I ever seen so great a Destruction of Food nor so large an Importation; and therefore I cannot draw a Comparison.

526. Does not your Reply go rather to the Cause than to the Fact? The Question is simply, whether within your own Experience or within your own Knowledge you are able to refer the Committee to any Period when the Variations in the Rate of Interest were so considerable as they were during the Period to which your Evidence applies?

I have no Recollection of a Period in which the Variations in the Rate of Interest have been so great.

527. Can you inform the Committee whether there was a corresponding Variation to the same Extent and Degree in the Rate of Interest at Paris in connexion with the Operations of the Bank of France?

No, there was not the same Variation.

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528. Was there a very considerable Difference between the one and the other, or was the Difference inconsiderable? What was the maximum Rate of Interest of the Bank of France?

I think in Paris the Variation was very trifling. I forget how much.

529. Was there not a very considerable Demand in France for the Supply of Foreign Grain, and was there not also a very considerable Absorption of Capital in French Railways?

Compared with this Country the Demand was small.

530. With respect to Foreign Grain, was not the Importation considerable into France?

I have not the Means of knowing, but I should think not any thing like the Extent of that in this Country. The Bank of France received great Relief from the Russian Government purchasing Two Millions of Securities from them, and giving in Payment Two Millions in Bills of Exchange or Bullion.

531. You consider that tantamount to an artificial Increase of their Capital, or their Means of Payment?

I consider they were able to dispose to the Russian Government of a great Amount of Government Securities in payment for the Food which they imported; whereas in this Country, the Importation was paid for by the Export of Bullion.

532. Can you furnish the Committee with a Statement of the Rates of Discounts, contemporaneously for the last Two Years, of the Bank of England and of the Bank of France?

Not comparatively; but I will get it.

533. Do you not know that the Bank of France has never exceeded Five per Cent.?

I do not know that it has. But although the Bank of France has not exceeded Five per Cent., the Bank has restricted its Issues by limiting the Echéance.

534. Was not the old Mode of the Bank of England defending itself, by restricting the Amount of Accommodation granted and not by checking the Accommodation by the Demand of an exorbitant Rate of Interest?

I think, previously to the Act of 1844, the Bank never exacted exorbitant Interest, but limited the Discount, either with reference to Echéance or by restricting the Extent of Accommodation.

535. Have any Complaints reached you from the Manufacturing Districts, that the Manufacturers have not been able to execute Orders, owing to the Amount of Interest?

I have heard Parties say they have received Remittances and were not able to execute Orders, because they could not get Bills discounted.

536. If those Consequences have resulted to a considerable Extent in the Manufacturing Districts, do not you think that a heavy Misfortune upon this Country?

I do not think it can have been to any great Extent, because the Bank, except in the Instance to which I have referred, has not refused to discount any Bills, provided the Rate of Interest which we proposed was such as the Party would give, and we thought the Security good.

Mr. *Prescott.* That has only been the Case in London. In the Country where we employ Agents we are not able to allow them the same Discretion as we can exercise in London.

Mr. *Morris.* I should state that we did not refuse any Parties making Application for Discount at the Rate we were then charging. The highest Rate was Nine and a Half per Cent., according to the Quality of the Bill.

537. No Party was refused who offered to give as much as that?

No Parties were refused in London who consented to give the Bank Rates of Discount.

538. You are aware that Reports are made to Parliament yearly by the Inspectors of Factories as to the State of the Factories in the Country. Mr. Saunders, one of the Inspectors of Factories, in his Report, which has just been made to the Government, has this paragraph: he first of all states the Distress

Distress in the Manufacturing Districts, and then he goes on to say that the principal Cause of the present Depression in Trade is the State of the Money Market, and the Impossibility that any Branch of Business can afford to pay a Discount of Eight per Cent. for the Cash necessary to carry on Business. That is the Report of a Gentleman having no personal Interest in Manufactures, and is therefore a completely impartial Report; and in another Report, another Gentleman, Captain Hart, also a Sub-Inspector, in giving the Result of his Inquiries as to the Causes which have concurred to produce the recent Depression in Trade, alludes, in common with his Colleagues, to the ruinous Demand for Discounts. Looking at the Complaints made by the Manufacturers, that they cannot afford to pay the Rate of Discount to execute good Orders sent them, and the Reports of the Factory Inspectors to the Government, they having no Interest individually in the Matter, can those Statements leave any Doubt in your Mind that these great fluctuations in the Value of Money have been most prejudicial to the Manufacturing Industry of the Country?

I have no Doubt that the Manufacturing Interest felt extremely the Pressure for Money. But we must consider that the Country had been in a high State of Prosperity, and also that a very great Misfortune befel the Country in the Necessity of importing an enormous Amount of Food. I do not see how it was possible to get through our Difficulties without a very great deal of general Suffering taking place; and that Amount of Suffering was unavoidable for the Purpose of bringing us to a natural State again. One Reason why the Cotton Factories have suffered so much was on account of a short Crop of Cotton. Consequently, we had the Misfortune of having a high Price of Food, and, at the same Time, a high Price of the raw Material of one of our principal staple Productions.

539. Was the Bank in possession of any Reserve at that Period which would have enabled it to supply the Capital required for the Trade of this Country to the Amount that would have been demanded if it had been offered at the Rate of Five per Cent.?

My impression is, that if the Bank Rate had been Five per Cent. the Demands would have been greater than the Bank could have met.

540. Supposing that Capital had been offered by the Bank at Five per Cent. at that Period, would it not, in all Probability, have brought such an Extent of Applications for Advances as it would have been impossible for the Bank or any other Establishment to supply?

Yes.

541. There being at the Time no Efflux of Bullion from the Country, you having, before the Drain began, Fifteen or Sixteen Millions, and the Amount sent out for Food not having exceeded altogether Six Millions, what Reason have you to suppose that the Bank would have been brought into Difficulties if it had not been restrained by the Act of 1844?

The Bullion exported for the Purpose of paying for Food amounted to 9,000,000 *l.* I stated that about 7,500,000 *l.* went out from the Bank; and I imagine that about a Million and a Half went by other Means; making together 9,000,000 *l.* The Effect of the Withdrawal of 9,000,000 *l.* from the Circulation was, of course, to make Money extremely scarce. Then came the Failures in August and September in the Corn Trade. That brought on Commercial Panic and Distrust; and the Consequence was, that Persons increased the Amount of the Reserves which they had for the Purpose of meeting any Claims which might be made upon them; and, necessarily, the Demand for Money required under those Circumstances was much greater than it would have been provided the Panic had not existed. Consequently, if the Bank had put a low Rate of Interest, a still greater Demand for Money would have taken place.

542. In all preceding Difficulties,—in the Year 1825, and other Periods,—did not the Bank get right, confining itself within the Interest of Five per Cent?

The Bank got right; but, in the Act of getting right, produced very great Distress throughout the Country.

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543. Is it your Opinion that under all the Circumstances of the Case, even without the Action of the Act of 1844, these great Fluctuations in the Interest of Money from Two and a Half to Nine and a Half per Cent. were inevitable?

Not from Two and a Half to Nine and a Half,—Two and a Half was the minimum Rate,—but from Two and a Half up to Eight per Cent., for that was also the minimum Rate. The Case which I mentioned of Nine per Cent. was a peculiar Case. The Party had to fulfil his Engagements, and he brought Bills to be discounted instead of Money, and we thought we had a Right to charge him the same Rate of Interest at which he would have raised Bank Notes out of the Stock Exchange. All First-class Bills were done after the coming out of the Government Letter at Eight per Cent. Any Rates above that were in consequence of the Quality of the Bills.

544. From what you have stated it appears to be your Opinion that whenever a Country is visited by any thing approaching to a Famine, any great Want of Food, it must simultaneously suffer under a Money Famine, and Distress of the Industry consequent upon it?

I think you cannot have a Famine without the Country feeling the Effects of it, and this certainly was the Effect; but this was very much extended in consequence of its coming upon us in a Time of high Speculation and high Prosperity.

545. You are aware that no Proportion of these Difficulties came upon France, and that the Rivals there of our Manufactures suffered from no such Pressure. If this Country is to carry on its Manufacturing Concerns liable to these Fluctuations in competition with Countries that are not so exposed, do you think it is possible to do it with Advantage?

With reference to the Commercial Interests of France and England it is difficult to compare them. What brought us into this extreme State of Panic was the enormous over-trading in this Country. It was the Failure of those Merchants which caused the Commercial Panic. Without that, I believe we should have got through with a much lower Rate of Interest. In France they had not the same Difficulties, and therefore they were, comparatively speaking, able to get through with less Difficulty.

546. Are you aware that the Bank of France got within Two or Three Millions of exhausting its Bullion?

Yes; and it saved itself by paying in Government Securities to the Extent of Two Millions for the Importation of Food. If, here, instead of having to send to America a considerable Amount of the precious Metals, America had taken 2,000,000 *l.* of Consols in Payment of Importations of Food it would have been a great Relief to the Circulation of the Country.

547. You had some Russian Gold as well as France?

We had, I think, 600,000 *l.* from Russia, which came in after the Panic had subsided.

548. You consider that the legitimate Mode of regulating the Demands upon the Bank is not by limiting the Amount of Accommodation granted, but by advancing the Rate of Interest?

There are Two Modes. With respect to the Management of the Bank, of course the Issue Department is self-regulating; we have nothing to do with the Issue Department. In the Banking Department it is necessary to retain a sufficient Amount of Reserve to meet the Liabilities. This Amount of Reserve will vary according to the Nature of the Deposits. Bankers Balances continually vary. When they exceed what may be considered their average Amount, then the Surplus beyond that Amount must be considered as liable to be called for at any Moment. The Government Deposits must be considered as accumulating for the payment of the Dividends, and must be dealt with accordingly. Railway Deposits have hitherto been of a transitory Nature. Other Deposits, partaking more or less of a permanent Character, may be treated differently, and in order to meet them about One Third may be considered a sufficient Reserve; I am merely speaking as to the Necessity of maintaining our Reserve. Now how is that Reserve to be maintained. There are several Ways of maintaining it; one Way is by selling Securities and attaining

attaining Notes out of the Market; another is by raising the Rate of Discount, and so limiting the Demand for Discounts. Another way is by not raising the Rate of Discount, but doing that which is tantamount to it, shortening the Echéance of the Bills, or refusing Discounts altogether.

549. Or limiting the Amount granted to different Parties?
Yes.

550. Are you aware that the old Practice of the Bank of England was to limit the Amount granted to different Parties?
I think the old Principle upon which the Bank acted was to go into the Market and sell the Securities, and get Notes out of the Market for the Purpose of making Advances upon Discounts; but I have no Recollection of any Stringency with respect to limiting the Amount to Parties.

551. You approve of the Plan of checking the Demand by raising the Price of the Accommodation?
Certainly.

552. You say the other Mode is by selling the Securities; that would lower the Value of Securities?
Decidedly.

553. You stated that the lowering the Value of Securities would induce a Return of Foreign Capital to this Country for the Purpose of Investment in Securities?
What I stated must have been that the Restriction of the Circulation caused Money to be more valuable, and necessarily the Fall of Prices of Securities would be an Inducement to Foreigners to come in and purchase those Securities.

554. That is one Way of drawing Capital to this Country?
Yes. But I consider that it is much more desirable to check the Demand by raising the Rate of Interest, except under particular Circumstances, rather than by selling Securities. When the Bank goes into the Market for the Purpose of selling Securities it arises from a Pressure upon the Bank; the Object of selling is to relieve the Bank. The Bank always employing the same Broker the Transaction becomes immediately known, and naturally there is a considerable Decline; and I believe it does much more Harm, and creates much more Disturbance out-of-doors than a slight Alteration in the Rate of Interest.

555. Your Principle is to advance the Rate of Interest, and thereby to lower the Price of Commodities, in the Expectation that that will create an Export for those Commodities, and bring the Money back from abroad?
Speaking as a Banker, I have Notes to deal with, and if I put an additional Price upon those Notes, by raising the Rate of Interest, naturally the Demand will not be so great.

556. You are aware that a Contraction of the Circulation or of the Accommodation, whichever it may be called, produces a Fall in the Value of the Commodities which are sold to bring in Money from abroad?
Yes.

557. You are no doubt aware of the immense Loss to the Country by acting upon the Circulation, through the Depression of the Value of Goods, which every Time it is done may ruin or half ruin a great Number of People. If Articles are to be depressed in Value, not from any Circumstances connected with the Demand and Supply of the Article itself, but from Variations in the Amount of Money in Circulation, may not that be fatal to the Commerce of the Country?
The Bank has a certain Amount of Reserve to deal with. If the Bank is not in a Position to make Advances to the Extent required, the only Course the Bank can take is to protect itself either by raising the Rate of Interest or by selling Securities; the Result will be nearly the same, because we shall go on discounting with the Amount of Notes we take out of the Market by selling Securities. But it is extremely difficult in Times of Panic to sell any Securities but Consols. Consols can always be realized; but other Securities which the Bank may hold, Annuities, dead Weight, and other Descriptions are not available.

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558. The Bank has been buying and selling Stock to a considerable Extent?
Yes.

559. Do you hold that to be a legitimate Proceeding on the Part of the Bank to be Dealers in Stock?
The Object of the Bank has not been to buy Stock for the Purpose of selling it again at a Profit; but when the Bank Reserve has been such as to make it more advisable to invest in Securities rather than by altering the Rate of Interest, the Bank has made those Purchases; and when again the Bank's Reserve required strengthening the Stock was sold again for that Purpose, without any Reference to what the Stock cost or to what Price it was sold at.

560. Do not you suppose the Bank having at its different Court Days once a Week to determine upon the Rate of Interest, altering it from Four to Five per Cent. one Day, and back again from Five to Four another Day, that whenever those Orders came out from the Bank Parlour they have always more or less an Effect upon the Stock Exchange?
With respect to altering the Rate of Interest, certainly the Orders for the Purchase or Sale of Securities do not come out instanter from the Court, but there is an Authority from the Court to the Governors to use their own Discretion as to the Period for Action. In doing that the Object is to produce as little Effect as possible, but it is difficult for the Bank Broker to go into the Market without attracting Attention. Whether the Broker buys or sells it generally causes Observation and produces more Effect than by any Alteration in the Rate of Discount.

561. Considering the Power of the Bank Directors over the Price of Stocks by the Regulation of the Interest of Money, and then the buying and selling of Stock in the Market, is not that Practice, taking the one in connexion with the other, in your Opinion open to considerable Abuse?
I think not.

562. Taking into consideration the Distress we have witnessed in the last Year, the Interruption to our Manufacturing Interests, and the great and extensive Commercial Failures which have taken place, is it not, in your Opinion, under all those Circumstances, deserving of the serious Consideration of Parliament, whether the Act of 1844 has operated so favourably as was expected by its Promoters?
Decidedly not. I think the Act has worked so well, notwithstanding what has been said, that I do not think that it is worth the while of Parliament to discuss whether Distress has been produced by that Act or not.

563. You give that as your personal Opinion?
Yes.

564. Has there been any Difference of Opinion upon that Question in the Direction? Are the Bank Directors unanimous upon that Subject?
They are not unanimous.

565. Is the Deputy Governor of the same Opinion or not?
Mr. Prescott. I have no Hesitation in saying that I do not consider that it would be expedient to make any Alteration in the Act of 1844.

566. Did you lend to any Party, during any Time iu the Month of October, public Securities?
Mr. Morris. We lent to Two Banks in the Country, to one 300,000 *l.* Consols, and to the other 100,000 *l.* Consols; and to some London Houses, who came to us requiring Assistance for the Purpose of preventing their stopping Payment, instead of assisting them with Money, we lent Exchequer Bills and India Bonds.

567. Did you make them pay any Interest for the Loan of those Securities?
With reference to the Consols, we got the Dividend upon them, but no other Profit whatever.

568. Did you lend it to them for a certain Time?
We lent it to them to be returned at some Period in January; at a fixed Period.

569. Have

569. Have you any Means of knowing whether they proceed forthwith to dispose of those Securities in the public Market?
Yes, they did.

570. Why did not you lend the Amount to them at once in Notes?
Because we ourselves should have been obliged to have gone into the Market and sold those Securities.

571. In consequence of the State of your Reserve?
Yes.

572. Therefore you lent them the Public Securities, and you know that they did convert them into Money?
Yes; I have got the Date on which they were converted.

573. You have stated that if the Bank Broker goes into the Market for the Purpose of selling Securities it produces a certain Degree of Sensation?
Yes, particularly in Times when there is any Pressure on the Market. It always excites more or less Attention; and there are particular Times when Attention is very greatly excited.

574. In a Case like that which you have just described, when you lent Consols to Parties, and they were enabled to sell them in the Market, do you think that the same Sensation was excited in the Market that would have attended the Sale of those Securities by the Bank of England?
In the Case of the Sale of 100,000*l.* Consols, the same Sensation was not created; but in the Case of the 300,000*l.* I think we were directed by the Parties themselves to sell them for them, or rather they were sold through our Broker; and although it was not known that the Bank was selling, it might have some Effect upon the Market.

575. What Conclusion would you draw from the Answers that you have already given, as well as from your Experience in the Bank, with respect to the Effect produced upon the Market by the Repeal of the Usury Laws?
I think it has been highly beneficial.

576. Do you think that the Operations that you have described as necessary for the Protection of the Bank could have been effected if those Laws had not been repealed?
I think not.

577. You were asked the general Opinion of your Colleagues in the Direction. Do you think that upon that Subject the Court entertained aunanimous Opinion?
I think I know One Exception, but it is almost unanimous.

578. (*To Mr. Prescott.*) Is it your Opinion?
Mr. Prescott. Certainly.

579. (*To Mr. Morris.*) When you lent Consols and Exchequer Bills to those Parties, were not you in point of fact acting against the Principle which you stated as the one which you thought ought to govern the Bank of England? Although your Reserve was not in a State to make it desirable to lower it, still you get rid of your Securities?
Mr. Morris. We did not sell the Securities ourselves; we gave them to other Parties, and they disposed of those Securities as they wanted them.

580. If there had been no Restriction upon the Reserve, would you have gone that round-about Way of lending Men Money by lending them that which they might sell instead of actually lending them Money?
If there had been no Restriction we should have given them Money.

581. Were they bound to replace those Securities to the same Amount?
We gave them Consols, and they were bound to return us Consols at the same Rate.

582. When did you cease to issue Notices respecting Loans?
I think it must have been in 1845.

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583. In September 1847 was there any Notice issued that the Bank were ready to lend upon Exchequer Bills?

Mr. Prescott. There was a Notice that we were prepared to advance upon Stock and Exchequer Bills.

Mr. Morris. I think there was no official Notice. I think it was stated to the Broker who manages the Bank Business that the Bank would make Advances upon Exchequer Bills and Stock.

584. It was generally known throughout the Market?
It was.

585. And that in October was discontinued?
In October we discontinued making Advances.

586. Do not you think that would put the Bankers to very serious Difficulty who had, previously to this Notice, whether published or given through your Broker, instead of realizing their Securities, counted upon being able to get Advances from the Bank upon Exchequer Bills and Stock, finding in October, Three Weeks afterwards, that they could not get that Accommodation?
The Object of those Advances was this: the Government Balances were accumulating for the purpose of meeting the Dividends. The Practice of the Bank has been to lend out those Balances to the Public, to be repaid at the Period when they would be required to enable the Bank to pay the Dividends; all that the Bank did was to lend out that Money with the Understanding that the Repayment of it would be required for the purpose of enabling the Bank to meet the Dividends. The Argument we always held was this: you will have no Difficulty in making the Repayments, because the Notes which we shall issue in Payment of the Dividends will enable you to repay those Advances; and therefore neither the Bankers nor the Public had a Right to expect that we should continue those Advances beyond that Period.

587. So that it was an ordinary Transaction before the Time of the Payment of the Dividends?
Yes. Before the Payment of the Dividends the Government Money always accumulates largely, and if, instead of lending that Money out, it were to accumulate in our Reserve, we should cause the Rate of Interest to rise during that Period. For the Purpose of equalizing the Rate of Interest in the Money Market, we have been in the habit of lending the Government Money, to be repaid at the Period when we require it.

588. You have stated that you regulated your Rate of discounting by the State of your Reserve, and not by the State of your Deposits?
Our Reserve arises out of the Deposits. The only Means which the Banking Department has of getting Notes is through the Deposits; and therefore the State of the Reserve would depend upon the Amount of the Deposits.

589. It appears that in April 1846, for instance, your Deposits amounted to 22,000,000*l.* and upwards?
On the 11th of April they amounted to 22,000,000*l.*

590. The Rate of Interest then was Three and a Half per Cent.?
Yes.

591. In August in that same Year it appears that the Deposits had decreased to 16,900,000*l.*?
Yes.

592. The Rate of Discount then was Three and a Half Per Cent.?
Yes.

593. In October 1846 the Deposits had fallen to 13,000,000*l.*?
Yes, on the 23d of October.

594. At that Time you lowered the Rate of Interest to Three per Cent.?
I should state, first of all, the Reason we had so high an Amount of Deposits in April was on account of the Railway Deposits which were paid in consequence of the Parties applying to Parliament. There was 9,153,000*l.* of Railway Deposits. Naturally those Railway Deposits were liable to be called out as soon as Parliament broke up. Consequently, on the 22d of August, the whole

whole of those Deposits were repaid, with the Exception of 200,000 *l.*, which accounts for the Reduction of the Deposits. On the Thursday preceding the 29th of August, the Rate of Interest was put down from Three and a Half to Three per Cent.

595. The Deposits went down after August from Sixteen to Thirteen Millions?

Our Deposits went down in October to Thirteen Millions.

596. Did they diminish after that?

The lowest Amount I have got is 13,384,000 *l.*, that was 31st October 1846.

597. The Rate of Interest then was lower than it was when your Deposits were larger?

Yes. The Reserve had gone down considerably. The Reserve had been 9,450,000 *l.*, and at the Period referred to was 6,934,000 *l.*; but the Reason for the Reduction of the Rate of Interest on the 22d of August to Three per Cent. was in consequence of the large Amount of Bullion. Gold was coming into the Country; the Amount of our Deposits was Sixteen Millions; the Amount of our Reserve, exclusive of Coin, 7,940,000 *l.*, and, therefore, the Object of putting the Rate of Interest down was for the Purpose of diminishing the Reserve, and preventing the continued Influx of the precious Metals. It has been said that we ought to have looked further than we did, and to have looked at the Probability of the Potato Disease. Now the Potato Disease was not known at that Period. The average weekly Prices of Wheat in London in August 1846 were 57 *s.* 6 *d.*, 56 *s.* 1 *d.*, 52 *s.* 10 *d.*, 50 *s.* 4 *d.*, 49 *s.* 2 *d.*, 50 *s.* 2 *d.*, 49 *s.* 8 *d.*, and 54 *s.* 3 *d.*; and therefore we had no Reason to suppose from that State of Things that there was any Apprehension, at least in Mark Lane, that any Potato Disease or any failing in the Crops was likely to take place.

598. Of what Date are you speaking?

I am speaking now of the 29th of August, at the Time when Colonel Torrens says that he thinks it is questionable whether the Bank ought to have put the Rate down.

599. Can you state what the Rate of Interest at that Time was?

I should think whilst we were charging Three and a Half probably the Market Rate might have been Three. Our Discounts had been going down. Our Discounts in London had been 6,400,000 *l.*, and they went down to 3,300,000 *l.*

600. In October and November the Price of Corn rose?

Yes. I am now justifying our putting the Rate down.

601. The Question refers to keeping it down till the 9th of January, when you raised it Half per Cent., and on the 16th you raised it another Half?

I have no Hesitation in saying that I think the Bank would have acted more prudently if they had put it up sooner.

602. During the whole Period from January 1846 to January 1847 was not the Market Rate below that fixed by the Bank?

I should think it must have been about the Market Rate.

603. What was the State of the Foreign Exchanges in August 1846?

25 72½ at Sight, at which Rate Gold comes into the Country.

604. When did the Turn of Foreign Exchanges take place?

About the 14th of November. The Exchange was then 25 50 at Sight, that was a Difference of about Three Quarters per Cent. The decided Fall seems to have taken place about the 14th of November.

605. You say that it would have been more prudent on the Part of the Bank, looking at the Exchanges at that Time, to have raised the Rate of Discount sooner?

Yes; I think so; looking also at the Probability of a large Amount of Importation from America.

606. Referring again to the Market Rate, you were understood to state that in the first Instances which have been spoken of, the Rate fixed by the Bank had been above the Rate in the Market?

When we put the Rate down to Two and a Half per Cent. the Market

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Rate out-of-doors was Two per Cent., previous to that we had been making Loans at One and Three Quarters and One and Seven Eighths per Cent. That must have been in August or September 1844.

607. It appears that the Discounts were as low as Two and a Half during a long Time?
Yes; we went on at Two and a Half up to October 1845.

608. It was kept low for the Encouragement of your Business as a Bank, looking at the Banking Department?
Our Object was to employ the Reserve even in the Banking Department.

609. You looked to it as Bankers would?
We looked to it as Bankers would, desiring to retain a certain Amount under Discount.

610. You would act in that Way whether you had any Control over the Issue Department or not, supposing, for example, the Issue Department were carried on at Whitehall?
Yes.

611. Would there be any Objection to separate them entirely in the Management of the Bank?
It would make no Difference whatever; they are now quite separate.

612. You act in the Bank upon the Principle of driving the best Trade you can as Bankers; you consider yourselves relieved from the Responsibility of considering the State of the Country or of the Circulation, that being taken care of sufficiently by the Provisions of the Act of 1844, and that you have merely to act for your own Interests as Bankers?
I consider that with respect to the Circulation we have nothing to do with that, for that regulates itself. With respect to making the best Interest for the Proprietors, I am convinced that if we were to do any thing for their Interest which was not for the Interest of the whole Commercial Community, the Evil would fall back upon the Bank, and instead of having a beneficial Effect it would have an injurious one, as far as the Bank is concerned.

613. The late high Rate of Interest has been profitable to the Bank?
Certainly; the Bank has participated in the general Profits of Banking.

614. What have been your ordinary Dividends at the Bank?
When I first came into the Bank I think the Dividends were Eight per Cent.; they were then reduced to Seven per Cent. Our half-yearly Dividends were Three and a Half per Cent. We have had Two Dividends with an Increase of One per Cent. as a Bonus, making the Dividend at the rate of Nine per Cent. for One Year.

615. How many of those Bonuses have you made?
Only Two.

616. Being the Two last Half Years?
Yes.

617. Did not the Government step in and claim some Part of the Profit?
No. The Act not having been infringed the Government have made no Claim.

618. Of course, in Banking, when Money is scarce, there is a larger Profit to the Bank?
The Profits of Banking are larger when the Money is scarce.

619. Of private Bankers as well as of the Bank of England?
Of Bankers in general.

620. Do not you think that smaller Banks than the Bank of England lose eventually by such a State of Things, inasmuch as they may displease their best Customers by not giving them Accommodation in consequence of their being unable to discount Commercial Paper, and that therefore, though he may gain a higher Rate of Interest at the Time, the smaller Banker is upon the whole materially injured by such a State of Things?
I do not see that the Bank can give more Accommodation in proportion than other

other Parties. We are only able to give Accommodation in proportion to the Deposits which we hold.

621. You state that you were asked to go up to the Government with a Deputation, and that you declined?

I was Deputy Governor then. I was asked to join a Deputation of leading Parties to go up to the Government, and to represent the Commercial State of the Country, with the Intention of Asking for some Relief. My Answer was, that I had no Objection whatever to go up with the Deputation to the Government, but that, if I did go, my Object would be to use every Exertion in my Power to dissuade them from interfering with the Act of 1844.

622. Was this Request made to you by other Directors of the Bank, or by Parties out of the Bank?

Parties out of the Bank.

623. Did the other Directors of the Bank, as far as you know, agree with you upon that Subject?

I never consulted them upon the Subject. The Application came officially to the Governor, when I was in his Room. The Question was put to us both.

624. Do you think that the other Bank Directors are unanimous in agreeing with you as to your Opinion of the Act of 1844?

No, they are not unanimous.

625. You were asked with respect to the Practice observed by the Bank of fixing a high Rate of Discount with reference to the Market Rate. Is it your Opinion that it is desirable that the Bank should often fix its Rate of Interest either at the same Point, or below the Point of the Market Rate of Interest for Discounts?

I do not think it is desirable that the Bank should run into competition with other Parties with regard to the Rate of Interest.

626. From the Magnitude of the Transactions of the Bank is it not impossible for the Bank to enter into competition with other Parties, without disturbing the natural State of the Market?

Except at Times, when our Discounts were very extensive, and we had more than our fair Proportion. I should think that taking the leading Discount Brokers in London, and the Bankers and Merchants, they would in the Aggregate have an Amount of Discounts exceeding that held by the Bank.

627. Is not that in consequence of your having almost uniformly kept your Rate a little above the Rate in the Market?

Whenever Money has been very abundant decidedly the Market Rate out-of-doors has been lower than the Bank Rate. When there has been a Pressure the Rate of Interest at the Bank has been the same as the Market Rate, or a little under.

628. Do not you consider that it is advisable that an Establishment upon the Scale of the Bank of England, and whose Transactions are so extensive, should interfere as little as possible with the natural Condition of the Market?

I think certainly.

629. Is it not generally the Policy of the Bank to keep its Rate of Interest somewhat above the Market Rate?

I think the great Object of the Bank is not to interfere with the Market Rate of Discount; but if we were to put our Rate intentionally above the Market Rate it would be tantamount to preventing Parties coming to us; it would be tantamount to keeping out of the Market altogether.

630. If the Bank of England were to come into the Market at an even Rate with the private Capitalist it would have the Preference?

I believe it would with many Persons.

631. If the Bank would have a Preference over private Dealers,—if it came into the Market with the same Rate of Interest,—does it not follow that its Appearance in the Market must tend, in some Degree, to affect the Rate of Interest?

Yes.

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632. Does not it follow, that whenever the Bank appears in the Market with a large Amount of Capital, to be advanced either at the Rate or below the Rate which prevails in the Market, it must have an extra Effect upon the Market?

I am supposing the Bank to have a large Amount of Reserve, and that it is necessary to get out an Amount of Discounts for the Purpose of diminishing the Reserve, the Change would be so trifling as not to cause much Effect out-of-doors.

633. Has it been the Policy of the Bank to keep its Rate of Interest at such a Point as not to produce any extraordinary Effect?

Certainly.

634. Did any Banks in Scotland apply for Accommodation to the Bank of England last October?

Yes.

635. Should you object to the Issue of One Pound Notes by the Bank of England?

I should object, decidedly. I do not mean to say that the Issue of One Pound Notes is contrary to the Principle of the Act of 1844, but I have a very strong Objection to the Issue of One Pound Notes in consequence of the Inducement it affords to Forgery.

636. You have no other Objection to it except that you would be afraid of Forgery?

I think that of itself is so decisive that I have scarcely thought much upon the Subject.

637. Are you aware of any Instances of Forgery that have occurred in Scotland for a great many Years, where a great Part of the Circulation is in One Pound Notes?

I am not able to answer that. I know that in this Country formerly, when English Country Banks used to issue One Pound Notes, many Forgeries took place which gave rise to no Prosecutions, because the Banks did not like to attract the Attention of the Public.

638. Is it not a Fact that Gold is only wanted for the Purpose of the Foreign Exchanges, excepting for the Purposes of every-day Transactions, and those generally of a small Amount?

I should think so.

639. Then small Notes for the Purposes of every-day Transactions would be equally current with Sovereigns?

Putting aside the Objection of the Liability to Forgery.

640. The Foreign Exchanges are carried on almost entirely in London?

I think the only Negotiation of Foreign Bills is in London.

641. Therefore it is a very great Object to have as much Gold as possible in London for the Purpose of the Foreign Exchanges?

I do not think that is material; if there is a Demand for Gold in London it will naturally flow from the Country to meet the London Demand.

642. Would not the common Use of small Notes in the Country instead of Sovereigns contribute to sending a certain Amount of Gold which is now floating in the Country to London?

You might have a Substitution of Notes for Gold.

643. Have you heard that in Scotland in general they actually prefer One Pound Notes to Sovereigns?

I have heard so.

644. Can you see any reason why that might not come to be the Case in England?

I do not see why if People were accustomed to see One Pound Notes they might not like them as well.

645. You

645. You have never known any Injury accrue to the Bank of England on account of the Issue of One Pound Notes in Scotland?
No.

646. Why should you not issue One Pound Notes on the same Principle that you issue your larger Notes,—which is, that you never re-issue?
The Objection I have is the Facility it affords to Forgery.

647. Would not the never re-issuing prevent Forgery very much?
I think that would make little Difference.

648. Can you give the Committee a List of the Persons who have filled the Chair of the Bank of England for a certain Time?

There is a List of Governors and Deputy Governors from 1824 to the present Time.

649. You said that the Bank of France had never raised its Rate of Discount above Five per Cent. Is it within your Knowledge whether the Bank of France have been able to discount all First-class Bills at that Rate?
I think I have heard that they rejected a great many.

650. Will you have the goodness to state to the Committee the Principle upon which the Governor and Deputy Governor of the Bank of England are selected?
The Principle upon which the Governor and the Deputy Governor of the Bank of England have been heretofore elected, with the Exception of the present Deputy Governor, has been in rotation according to the Time that they had been in the Bank.

651. According to their Seniority?
Yes.

652. There has been an Interruption to that upon a late Occasion?
I will not say there was an Interruption, because the Emergency which brought me suddenly into the Chair called for a Deputy Governor out of the ordinary Course, and many of the Directors who were next in rotation, who might otherwise have been prepared to have gone into the Deputy Chair, were not prepared, and there were other Directors who stated that they would rather that some other Gentleman should take the Office.

653. What are the peculiar Functions of the Governor and Deputy Governor, as distinguished from the other Members of the Court?
I should say that the Court of Directors are the deliberative Body and the Governor and Deputy Governor the executive.

654. The Governor and the Deputy Governor conduct the Communications between the Bank and the Treasury?
They do.

655. How far is there any Discretion vested in the Governor and the Deputy Governor, in their Communications with the Government, of acting without the Sanction of the Court of Directors?
I should say that in the ordinary Course of Business the Governor and the Deputy Governor would consider themselves justified in entering into Communications with Her Majesty's Government, but upon any Subject of decided Importance they would naturally consult either the Committee of Treasury or the Court.

656. Practically speaking, the whole Administration is vested in the Governor and the Deputy Governor?
It is. There are Committees for particular Purposes; but the general carrying out of the Decisions of the Court rests with the Governor and the Deputy Governor.

657. How many Years is the Duration of the Office of Governor?
The Governor is in Office for Two Years, and the Deputy Governor for Two Years.

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658. Does the Deputy Governor succeed generally to the Chair?
I think invariably. There may have been Exceptions arising from Illness, but the Rule is invariably for the Deputy Governor to be recommended to succeed the Governor.

659. Have there been any Instances of the immediate Re-election of the Governor, so as to give to the Governor a greater Duration of Office than the ordinary Period of Two Years?
I think that Mr. Palmer was re-elected the Third Year to enable him to carry out the Renewal of the Charter in 1832, and Mr. Cotton was elected a Third Year for the Purpose of carrying out the Act of 1844.

660. Did those Exceptions arise out of any Impression that by following the usual Routine of Succession there would be less Continuity given to the Action of the Bank?
It was for the Purpose of keeping up the Communications then existing with the Government.

661. Has any Inconvenience been felt by the Bank from this periodical State of Election of the Two principal administrative Officers in diminishing the Continuity and Consistency of the Bank's Proceedings?
I think not. Perhaps I may state that generally speaking the Director whom it is proposed to recommend to the Deputy Chair goes into the Committee of Treasury the Year before he is recommended as Deputy Governor, so that he has Three Years' Experience before he comes to the Chair.

662. When he ceases to be Governor in what Condition is he then placed in the Administration of the Affairs of the Bank?
He becomes one of the Committee of Treasury.

663. Will you explain the Construction of the Committee of Treasury?
All those Gentlemen who have passed the Chair form the Committee of Treasury, with the addition of the one who is upon the Committee the Year previously to his going into the Deputy Chair.

664. Is the Committee of Treasury charged with peculiar Functions separate from the ordinary Court?
The Committee of Treasury meet every Wednesday. The Object of the Meeting is to consider the general State of Affairs of the Bank since the last Meeting of the Court, and to recommend any Resolutions that they think fit to the Court.

665. If the Committee of Treasury is with the single Exception of One Member constituted of those who have passed the Chair, and if those who have passed the Chair are taken in order of Rotation, is not the Succession to this Committee of Treasury a Matter of Rotation?
Yes; there is one Exception in the Committee of Treasury of a Gentleman who did not take the Chair, the State of his Health not allowing him to do so.

666. What Functions do the Committee of Treasury exercise?
The Committee of Treasury recommend to the Court those Measures which in their Judgment they think would be beneficial.
Mr. Prescott. They take into preliminary Consideration all Matters of more than usual Importance.

667. Practically speaking, are the Recommendations of the Committee of Treasury generally adopted by the Court of Directors?
Mr. Morris. I should think generally they are.

668. Has there not been a Variation in that respect between the modern and the more ancient Practice of the Bank?
I think the more modern Practice of the Bank has been that they have not been so readily agreed to as they used to be formerly.

669. In more ancient Times was not practically the Recommendation of the Committee of Treasury acted upon by the Directors, and in more modern Times

Times is there not a freer Exercise of their own Judgment upon them, and what is the Date of that Change of Practice?

It is extremely difficult to state the Date. It is about Twenty Years since I first came into the Direction. I recollect that at that Period, although the Recommendations of the Committee of Treasury were not as a matter of course agreed to, still such Recommendations carried so much moral Weight that they were generally assented to by the Court; since that Period the Influence of the Committee of Treasury has been less.

670. Who takes the Chair of the Committee?

The Governor.

671. Can the Governor and Deputy Governor act against the Opinion of the Committee of Treasury if they should so think fit?

They may use their Influence with the Court, but it is the Court who decide.

The Witnesses are directed to withdraw.

Ordered, That this Committee be adjourned to Friday next, Two o'Clock.

Die Veneris, 18° *Februarii* 1848.

The LORD PRESIDENT in the Chair.

JOHN HORSLEY PALMER Esquire is called in, and examined as follows:

672. You are a Director of the Bank of England?
I am.

673. You have been Governor of the Bank?
I have.

674. How long have you been a Director?
Since the Year 1811.

675. Were you not continued as Governor a Year beyond the usual Time for the Purpose of negotiating one of the Charters with the Government?
I was, upon the Occasion of the Charter of 1832.

676. How long have you been in the Bank Direction?
Since 1811. Thirty-seven Years.

677. You of course were there during the several Crises, as they are called, in subsequent Years, particularly those of 1825, 1837, and 1839, and you are well acquainted with everything which took place upon those occasions?
Yes.

678. You have also followed up the Occurrences during the last Year, 1847?
Yes.

679. Has the Distress and Pressure upon the Public been greater or less during the last Year than in any preceding Cases to which you have alluded?
I think it was greater during Part of the Year 1847 than ever I remember.

680. With greater Damage to Commercial Credit and Fortunes than on any other Occasion?
I should say certainly.

681. Do you apply that Observation to the Country generally, or to London?
I apply it to the whole Country, especially to all the Commercial Parts of the Country.

682. Including Country Banks?
Including some Banks in Liverpool and the North of England, and One or Two in Scotland.

683. But not the Country Banks connected with the agricultural Districts of the Country?
Not to any extent.

684. Will you be so good as to state to the Committee what, in your Opinion, was the Cause of this State of Pressure and Distress during last Year?
I consider the Distress of the Year 1847 to have arisen from the deficient Harvest of 1846 and the Failure of the Potato Crop of that Year, which rendered necessary a very large Importation of Foreign Grain. Consequent upon the Arrangements made for that Import the Exchanges with the Continent and America rapidly declined, and between the Months of December 1846 and April 1847 the Demand made upon the Bank in their Banking Department

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reduced the Reserve from Nine and a Half Millions in December to Three Millions in April; the last Two and a Half Millions of which Reduction took place between the 27th of March and the 17th of April. In consequence of that sudden Reduction the Bank was compelled under the Act of 1844 forcibly to contract, in order to regain its Position, and which forced Proceeding caused a very severe Pressure for the Time upon the Money Market. Shortly after that Period it transpired that Speculations for the Import of Grain had been carried far beyond the Power of the Houses engaged in them to support, added to which the Quantities imported in the Months of May, June, and July occasioned a Fall in the Price of Wheat from 110*s.* per Quarter to 60*s.*, and even below that Value. This Fall in the Price of Grain occasioned Failures to a considerable Extent in the Corn Trade, which engendered a material Discredit in that and other Branches of Commerce. Subsequently to those Events came the Suspension of almost all the Firms engaged in the Trade with the Mauritius, and which was followed by a general Discredit, principally affecting the Houses connected with India, particularly those most largely engaged in the Export of British Manufactures. These extensive Suspensions caused a general Discredit and an Abstraction of Bank Notes and Coin from Circulation to a very material Amount, thereby creating a largely increased Demand upon the Reserve of the Bank, which under the Act of 1844 it was found most difficult and indeed impossible to sustain, the Amount of the Reserve having been reduced on the 23d of October to Two Millions, including London and the Branch Banks. Thus situated, notwithstanding the Bank had advanced the Rate of Interest in August, September, and October to Five and a Half, Six, Seven, and even Nine per Cent. per Annum, the Demand continued to increase until the 25th of October, when Relief was afforded by withdrawing the restrictive Clause of the Act of 1844, and by which the Pressure was immediately relieved, and Credit has since been gradually restored. During the whole Period, from the Middle of April to the Day of withdrawing the restrictive Clause in the Act of 1844, the Foreign Exchanges were in favour of this Country.

685. You ascribe no Consequences to the Operation of Railways?

I do not believe that much of the Distress is to be attributed to the Railways. A great deal more has been charged upon that Interest than I believe really belongs it.

686. Do you consider that the large Importation of Food was the first great Drain upon the Specie of the Bank?

Certainly, the Preparation made between December and April for that Importation was the Cause of the first Drain upon the Specie.

687. To what Extent do you suppose the whole of that Drain upon the Bank to have amounted, and how long did it continue?

The only Answer I can give to that Question is to refer to the Reduction of the Bullion in the Issue Department of the Bank during the year 1847.

688. At what Figure was the Amount of Bullion when that Drain began?

I think about 15,000,000*l.* There was a Fluctuation of Two or Three hundred thousand Pounds now and then previously, but the Amount on December the 26th 1846 was 15,100,000*l.*, about which Period the Drain commenced.

689. Do you include in that the Coin which is in the Reserve?

Yes; the whole of the Bullion.

690. To what Part did the Export of Bullion principally take place?

I believe about Two Thirds of it went to America, and One Third to the Continent of Europe.

691. When do you consider that Drain to have stopped?

I think that the last Export to America took place by the Packet of the 4th of April.

692. Did the Drain to the Continent of Europe stop simultaneously with that to America?

There was no material Demand for the Continent of Europe after the Middle of April.

693. You

693. You do not consider that the State of the Exchanges with the Continent was ever for any Time sufficiently against this Country to create any Anxiety on the part of the Bank on account of any Drain from that Quarter?

I think as soon as the Demand ceased for America, which was towards the Middle of April, no Anxiety whatever could have existed as to any demand for Bullion. Information was received from America by the Packet of the 1st of April that the Exchange had advanced, which rendered further Shipments of Gold from England in that Direction unprofitable.

694. When the Drain began the Bank had 15,000,000*l.* of Specie. Do not you consider 15,000,000*l.* a very full Amount of Specie for the Bank to hold, and an Amount rather larger than the Bank would desire to hold?

I think it was not too large with reference to the Act of 1844. The Act of 1844 requires so large a Reserve of Bullion to be kept that I think 15,000,000*l.* is not more than ought to be held at the Commencement of a Foreign Demand.

695. Would it have been more than you would think necessary for the Safety of the Bank, supposing the Bank had been carrying on its Business upon the System existing before the Act of 1844?

Certainly.

696. Consequently the Act of 1844 brings the Bank into Difficulties, and into the Necessity of guarding itself, and of putting Restraints upon Commerce much earlier than would be necessary if it were not acting under such an Act?

Certainly, with reference to an amount of Fifteen Millions held at the Commencement of a Foreign Demand.

697. You have stated that the Act of 1844 requires the Bank to adopt stringent Measures in a Time of Commercial Distress sooner than they otherwise would do. It has been stated to the Committee that though it requires the Bank to act restrictively sooner, it prevents a greater Action and Pressure subsequently. Is that your Opinion?

I think not. Supposing a Drain to commence in a State of Credit, when the Circulation of the Bank of England with the Public and the Amount of Bullion in the Issue Department should be as they were in January 1847, it does not appear that any restrictive Measures would be required until the Reserve in the Banking Department should be materially reduced, which would, at the Period alluded to, be about Eight and a Half Millions. It is submitted, under the Law of 1844, that restrictive Measures only have reference to the Proportion of Reserve required to meet the Deposits, a sudden Restriction of which imposes upon the Bank the Necessity of a forced Contraction, which would not be required under the Power possessed by the Bank prior to the passing the Act of 1844.

698. Have you any thing else to add in explanation of your View of the Operation of the Act of 1844, either in mitigation or aggravation of the Distress of the last Year?

With reference to the working of the Act of 1844 during 1847, I would observe, that I have not objected to the Principle of that Act, of forming the Issue of Notes by 14,000,000*l.* upon Securities, and the Remainder upon Gold and Silver, as the Means of securing a given Amount of Specie for the Convertibility at all Times of the Bank Note. But, while entertaining that Opinion, I have not been able to perceive the Advantage of the Separation of the Accounts in the Manner prescribed by the Act, nor of the weekly Publication of the State of the Banking Department; and further, admitting the Principle for the Issue of Notes, it has always appeared to me to be expedient to permit an Extension beyond the Fourteen Millions upon special Occasions, when the same could be allowed without endangering the Convertibility of the Bank Note. Adverting to the Operation of the Act in the Banking Department since it became Law in the Autumn of 1844, it appears to me, that in the Attempt during the Period of a favourable Foreign Exchange to employ the Reserve in the Banking Department upon the same Principle as that which would have governed a Private or Joint Stock Bank, the Reduction in the Rate of Interest, more especially in September 1844 and March 1845, was

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prejudicial in its Consequences; and a further Evil arose when the Foreign Exchanges became adverse towards the Close of 1846, and when by the sudden Reduction of the Reserve between the End of March and the Middle of April 1847 the Act deprived the Bank of the Power of gradually recovering its Position, compelling a forcible Contraction, which endangered Mercantile Credit. Again, when Commercial Credit generally gave way in the Autumn of 1847, and when a considerable Abstraction from Circulation had taken place of both Notes and Coin, the Demand for Assistance was so much increased as to place the Bank in imminent Danger by granting the required Aid, and which nothing in my Judgment could have relieved short of the Relaxation of the Law which took place in October last.

699. You stated that on the 23d of October the Reserve of the Notes was 2,000,000*l.* It was at its lowest on the 30th, was not it?
It was.

700. On the 30th it was, in Notes 1,176,000*l.*, and in Coin 429,000*l.*; in round Numbers about a Million and a Half?
£1,600,000.

701. Are you aware how much of that was in London?
No, I am not. I should think from a Half to Two Thirds.

702. Supposing it to have been reduced to Five or Six hundred thousand Pounds, do not you consider the Bank then to have been in imminent Danger of not being able to pay its Engagements under the Act of 1844?
It could not have continued its Accommodation to the Public consistently with the Engagements which then pressed upon it.

703. Are you aware of the Amount of the Deposits which existed at that Time?
The total Amount of Deposits was 14,500,000*l.* on the 30th October.

704. Though a large Proportion of those Deposits may have been of a Description that the Bank need not have apprehended their coming upon them, is it not evident that the Five or Six hundred thousand Pounds remaining of their Reserve could not have placed them in a safe Position to meet any Contingency?
I think that the Bankers at the Time had more than Two Millions upon their Accounts; therefore it was quite in their Power at that Time to have placed the Bank in a Position of Danger, unless it could by a forced Sale of Securities have met their Demands.

705. Supposing there had been no Act of 1844, and the Bank had been acting under its former System, what was the Amount of Treasure which the Bank would have had?
The Bank had at that Time Eight Millions and a Half.

706. Should you have considered Eight Millions and a Half an Amount of Treasure, bearing in mind that the Foreign Exchanges were not unfavourable, which ought to have excited any Apprehension on the part of the Bank, or to have called for any great Pressure upon the Commerce of the Country?
I should consider that it would not have excited any Apprehension whatever.

707. What would have been the Difficulty of effecting Sales of Securities?
The Difficulty would have been in finding Bank Notes to pay for them. I think the Governor did try to sell a small Amount of funded Property at a Reduction of Two or Three per Cent. about the 21st of October; but it would have been quite impossible in the State of public Feeling that then existed to have gone into the Market with a Million or a Million and a Half of Securities, and have found Bank Notes for them.

708. Would it not have been attended with great Distress to many Parties?
Unless the Prices had been forced down to Sixty or Sixty-five, or some enormous Reduction, Bank Notes could not have been procured.

709. Seeing that the Reserve of Notes which stands in this Return at its lowest at 1,176,000*l.* was only one Fortnight before at 2,600,000*l.*, namely a Million

Million and a Half Difference between one Period and another, which Million and a Half was the Amount of the Reduction made within that Period, would not that indicate that with a Reserve of Five or Six hundred thousand Pounds the Bank was clearly in a State of Danger?

Certainly; beyond all Question.

710. Did you hear at all in the City of any Intention on the Part of Persons who thought that this Pressure upon the Commerce of the Country was unnecessary to combine together for the Purpose of forcing the Bank to any Extremities?

No.

711. Independently of any supposed Combination of Parties having Balances in the Bank to call out their Balances at an inconvenient Time, supposing that the Bank had been driven to withhold their common Accommodation, would not those who possess Deposits naturally and inevitably, without any Combination, have been driven upon their Deposits for the Purpose of meeting their Engagements?

I am of opinion that the Bankers of London would, so far as their Power would have extended, have been under the Necessity of calling for their Balances with the Bank of England if the Bank had refused all Accommodation to the Merchants.

712. Without assuming either any Combination amongst the Bankers, or any Disposition on the Part of the London Bankers to injure the Credit of the Bank of England, the natural Result would have been such as you describe?

Certainly.

713. Did the Bank in point of fact refuse at any Time Accommodation?

I do not believe that they refused Accommodation to any great Extent at the Rates of Interest then charged. Generally speaking, they gave Accommodation up to the 23d of October, when the Reserve was reduced to 2,000,000*l.*; but they could not have continued it.

714. Did they practically refuse any Paper in consequence of the Act of 1844, which, apart from that Act, they would have discounted?

I am not aware that up to that Period, the 23d of October, they did refuse any, except in the Month of April 1847.

715. The 23d was the Saturday?

Yes.

716. As the Letter came from the Government on the 25th, there was then no Opportunity between the 23d and the 25th to refuse any Paper at all?

I think the Government apprized the Bank on the 23d that they might act liberally, though the Letter did not come down till the 25th.

717. You have stated that in your Opinion Sales of Securities could not have been effected by the Bank; you are probably aware that the Governor and Deputy Governor differ in Opinion upon that Point. What do you believe to be the Opinion of the Bank Directors generally upon that Subject?

I am unable to answer that Question, which has never been brought before the Court; but, as far as I can judge from Conversation, I think the Opinion I am expressing is that of the Majority of the Court of Directors.

718. Did not the Bank, before the 23d of October, refuse to make Advances upon Stock?

I think they did.

719. Did not that create considerable Alarm and Excitement?

Yes.

720. Calling your Attention to the Circumstances of the Drain for Money in October: were there not some Circumstances which were rather favourable in that Case, although it was attended with that great Pressure; for instance, what was the state of Demand for Deficiency Bills at the Time?

I think there were none.

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721. Do you conceive that the Exigency would have been greater if there had been the ordinary October Demand for Deficiency Bills in place of the entire Cessation of the Government Demand at that Period?

I think if the Bank have fair and sufficient Notice of the Demand for Deficiency Bills it is attended with no great Inconvenience to provide for them.

722. Confining your Attention to that particular Time of Pressure, do not you think that if the Bank had had a Demand at that Time for Four Millions of Exchequer Bills the Pressure in October whould have been greater than it was?

It is a Supposition that I am hardly prepared to answer, for it would depend so much upon previous Knowledge and previous Arrangements.

723. Supposing you had had a previous Knowledge that in the October Quarter there would be a demand for Four Millions upon Deficiency Bills, would it not have been necessary on the Part of the Bank to have made Provision for it by so lending their Money as to have it brought in at the Time when it was wanted for the Payment of the Dividends?

Of course the Bank must have made Provision for the Accommodation of the Government.

724. Would not the Necessity of making Provision for an Advance upon Deficiency Bills at that Time have required the Bank to impose a still higher Limit upon the Accommodation which they would otherwise have given to the Public?

It probably might have had such an Effect; but that being a speculative Question I am hardly prepared to answer it.

725. At that Period in October 1847 there were no Transactions in Foreign Loans or Foreign Stocks to aggravate the Distress?

Not to my Knowledge. There might be some Payments for Foreign Railways, with which I am not accurately acquainted.

726. Those were Circumstances which attended the Pressure in 1837 and 1839, but which were not connected with the Pressure of 1847?

I am not aware what those Foreign Engagements were in 1837 and 1839.

727. Comparing the Pressure in October 1847 and the Pressure in April, did not the chief Distinction between the Two consist in the different State of the Foreign Exchanges at the Two Periods?

The unfavourable Exchange ceased about the Middle of April.

728. The Exchanges were favourable in the Month of October?

Yes.

729. And favourable during the whole of the intervening Period?

Yes.

730. The Act of 1844 prescribes the same Rule of Action to the Bank whether the Foreign Exchanges are in favour or whether the Foreign Exchanges are against the Country?

Certainly.

731. Do you, from your Experience connected with this Subject, conceive that it is defensible in reasoning or maintainable in Practice that in managing the Bank the same Rule should be applied to the Case whether the Foreign Exchanges be favourable to the Country or adverse to the Country?

I think it is always in the Power of the Bank to protect itself against a Foreign Demand, but it is totally impossible to protect itself against an internal Demand.

732. The Question is with respect to the Restriction imposed upon your Issues for the Accommodation of the Public, whether you think that it is defensible in Theory or maintainable in Practice that you should have the same Rule in managing the Bank when the Exchanges are adverse and when the Exchanges are favourable?

Certainly not.

733. Then in that respect you consider the Act of 1844 to be defective?

Manifestly defective.

734. When

734. When the Foreign Exchanges are adverse to this Country, does it not in many Instances, though not perhaps in all, imply that the Circulation in this Country is in excess as compared with the Circulation of Foreign Countries?

The Cause and Character of an unfavourable Exchange may fairly be considered to be a fit and proper Subject for Judgment upon the Facts then passing. In the Case of 1847 it was evident that it was a special Demand, in the Years 1824 and 1825 it was evident that the unfavourable Exchange arose from a depreciated Currency; therefore in the Two Cases the Treatment would be totally different.

735. But in all Cases in which a Derangement of the Foreign Exchanges is the Result of a Depreciation of the Currency by Excess of Issue or any other Cause, do you not conceive that the legitimate Mode of dealing with that with a view to a Remedy is the Limitation and Abridgment of the Quantity of Currency which is out?

Certainly; but there is no Mode in my Judgment that is so effective to cause that Abridgment as by raising the Rate of Interest.

736. Will not the Effect of raising the Rate of Interest, especially assuming the Currency to be depreciated, be to lessen the Demand for the Accommodation, and thus to diminish the Amount of Currency out?

Certainly, that is the Object of raising the Interest.

737. Therefore the Remedy in that Case, whatever may be the Modus operandi, is lessening the Currency?

Yes.

738. But assuming that the Demand is not from a Foreign State, but that it is a Home Demand arising from Commercial Pressure and approaching to Panic, what do you think is the Effect, in those Circumstances, of lessening the Amount of Accommodation and Currency?

I should consider that raising the Rate of Interest in the latter Case would be prejudicial.

739. You have stated that the Effect of raising the Rate of Interest is to limit the Accommodation?

Yes.

740. Then does it not follow from the Evidence that you have given that a totally different and opposite Mode of Treatment ought to be observed in the Management of the Currency in those Two Cases, comprising a Foreign Efflux and a Home Demand?

I consider that against Foreign Demand there is, as I have already said, no Remedy so effective as an Advance of the Rate of Interest. In the Case of a Home Demand there would be no just Cause for raising the Rate while the Circulation might be maintained, and even increased, by Accommodation given upon substantial and good Security. In case of a Home Demand, in a Time of Distress of the Nature which occurred in October last, there is a general Abstraction of the circulating Medium, and it is to meet a Demand arising from that Abstraction that the Bank necessarily is applied to, when it can, with perfect Safety to itself, give the Assistance without increasing its Rate of Interest.

741. Is not the Effect of the Act of 1844, under those Circumstances, to deprive the Bank altogether of its free Agency in giving that Accommodation which you think it could under such Circumstances give with Safety to itself?

Certainly.

742. When you say "with Safety to itself," it is hardly necessary to ask whether you imply by that the full Maintenance of the Convertibility of the Notes?

Certainly, always, excepting an internal Discredit of Paper Money, against which nothing can protect the Bank.

743. From your Experience of the Laws which regulate the Circulation, do you not conceive that there is a very great Difference in the active

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Circulation of a given Number of Notes, say 4,000,000 *l.* at one Period of Time and at another?
Certainly.

744. In the Report of the Committee of the House of Commons in 1819 the following Statement appears: "Many Circumstances contribute to affect "the Value of the Bank Note,—the varying State of Commercial Credit and "Confidence, the Fluctuations in the Amount of Country Bank Paper, and "the different Degrees of Rapidity with which the same Amount of Paper "circulates at different Times." Do you coincide in the Opinion that the Rapidity of the Circulation ought to be taken into account as much as its Quantity?
In Time of Credit a smaller Amount of Circulation will do the Work of the Country than will accomplish it in a Time of Discredit.

745. A given Amount of Circulation out at a Period like that of October 1847 will not perform the same Number of Operations, or give the same Amount of Action to the Commercial Transactions of the Country, as when Prices are rising and Credit is more extended?
I think such to be exhibited by the Circulation at that Period. Between the 23d and the 30th of October there was an increase of 500,000 *l.* in the Circulation of Notes with the Public.

746. Looking back at some of the Transactions that occurred during your Connexion with the Bank, have you not known Cases in which from an internal Demand and Want of Confidence large Quantities of Notes have been issued by the Bank of England to those in whom they placed Confidence, and to Customers, and in which they have been returned to the Bank of England almost entirely without being put into active Circulation?
That was proved in 1825 and 1826. I think in that Instance the Bank issued Five or Six Millions in a Week, and a very large Portion of the Notes then issued came back within Two or Three Weeks afterwards in the same Bundles in which they went out.

747. In that Case, although it had no immediate Action by entering into the Currency, did it not immediately operate in the Way of Relief and Restoration of Credit?
Certainly, by giving Confidence to those Persons who possessed the Notes of being able to meet the Demands expected to be made upon them.

748. Would it be possible to act upon that Principle under the Act of 1844, or are you not limited simply to looking at the Statistics of the Bank with reference to the Amount of Notes issued, without taking into account the Purposes for which those Notes may be required, or whether they are likely to be employed for the Restoration of Confidence or for entering into active Circulation.
The Bank have no Power of issuing beyond Fourteen Millions upon Securities, which may prevent the Bank giving the Aid required.

749. In dealing with this Subject, in Mr. Horner's Report of 1810, he says, "These Circumstances show how impossible it is, from the numerical Amount "alone of circulating Paper, to pronounce whether it is excessive or not." That is to say, you must take into account these Facts as well as the Amount of circulating Paper. Does not the whole Principle of the Act of 1844 go in violation of that Doctrine?
Certainly.

750. And as far as it goes in derogation of that Doctrine, do you think it acts injuriously to the public Interests, and dangerously to the Interests of the Bank of England?
I think it acts injuriously, by limiting the Power of the Bank to uphold Commercial Credit.

751. Do you put any Limitation to the Bank's Power of upholding Commercial Credit, or would you extend it under certain Circumstances, making a Difference between the Case of there being an adverse Exchange calling upon the Bank for an Efflux of Gold for Continental Purposes, and the Case of there being

being only an internal Discredit calling for a Restoration of Commercial Confidence?

In the latter Instance, when the Bank is called upon to uphold Commercial Credit in Times of favourable Exchanges, I should prefer no Limit beyond the Discretion of the Bank exercising its Judgment upon the Securities offered.

752. Do you mean without any Reference whatever to the State of the Foreign Exchanges?

No; assuming the Foreign Exchanges to be favourable to the Country.

753. Do these Doctrines receive any further Illustration by reference to the Transactions of the Year 1793, of which the following Account is given in the Report of the Bullion Committee in 1810: "In 1793 the Distress was occasioned "by a Failure of Confidence in the Country Circulation, and a consequent "Pressure on that of London. The Bank of England did not think it advisable "to enlarge their Issues to meet this increased Demand, and their Notes "previously issued, circulating less freely in consequence of the Alarm that "prevailed, proved insufficient for the necessary Payments. In this Crisis "Parliament applied a Remedy very similar in its Effects to an Enlargement "of the Advances and Issues of the Bank. A Loan of Exchequer Bills was "authorized to be made to as many Mercantile Men, giving good Security, as "should apply for them; and the Confidence which this Measure diffused, as "well as the increased Means it afforded of obtaining Bank Notes through the "Sale of the Exchequer Bills, speedily relieved London and the Country. "Without offering an Opinion on the Expediency of the particular Mode in "which the Operation was effected, your Committee think it an important "Illustration of the Principle, that an enlarged Accommodation is the true "Remedy for the occasional Failure of Confidence in the Country Districts, "to which our System of Paper Credit is unavoidably exposed." Does that appear to you to afford an Illustration with reference to the Transactions of the Year 1793, of the Principles which you have stated in your Evidence?

It entirely accords with the Principles I have stated, giving, as I have said before, a Discretion to the Bank as to the Mode and Extent to which they may give that extra Accommodation.

754. Calling your attention to the Transactions of 1797, in the same Report it is stated: "The Circumstances which occurred in the Beginning of the Year "1797 were very similar to those of 1793; an Alarm of Invasion, a Run upon "the Country Banks for Gold, the Failure of some of them, and a Run upon "the Bank of England forming a Crisis like that of 1793, for which, perhaps, "an effectual Remedy might have been found if the Bank of England had had "Courage to extend instead of restricting its Accommodation and Issue of "Notes. Some few Persons, as appears from the Report of the Secret Com-"mittee of the House of Lords, were of this Opinion at that Time; and the "late Governor and Deputy Governor stated to your Committee that they "and many of the Directors are now satisfied, from the Experience in 1797, "that the Diminution of their Notes in that Emergency increased the public "Distress; an Opinion in the Correctness of which your Committee entirely "concur." Does that Statement of the Opinion of that Committee afford a further Illustration of your Views as applicable to the Year 1797?

The Fact of a Contraction of Bank Notes under the Circumstances mentioned certainly does afford the Illustration alluded to.

755. Those remedial Measures, which were acted upon by an Issue of Exchequer Bills in 1793, the Want of which aggravated the Distress in 1797, and the Want of which, in your Judgment, has aggravated the Distress in 1847, are entirely prohibited by the Act of 1844?

So far as regards the Issue of Bank Notes.

756. Is it your Opinion that the Distress of October 1847 was aggravated by the Restrictions imposed upon the Operations of the Bank by the Act of 1844?

I consider that the Operation of the Restriction imposed upon the Bank in October 1847 caused the extravagant Rate of Interest which was charged in the early Part of October, as well as towards the Close of that Month, and which pressed most heavily upon the Parties receiving the Accommodation.

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The excessive Rate of Interest was not only made by the Bank, but consequently higher Rates were charged by the Money Dealers generally in London. That increased Rate of Interest aggravated the Evil in my Judgment.

757. What are the greatest Variations in the Rate of Interest that have taken place since the passing of the Act of 1844?
The Rates charged by the Bank of England have varied from Two and a Half per Cent. to Nine per Cent. per Annum.

758. In comparing the Rate of Interest charged under the Act of 1844 with the Rates of Interest which had been anteriorly charged, even subsequently to the Relaxation of the Usury Laws, is not the Rate which now appears upon the Bank Returns the minimum Rate?
Yes.

759. It is not an invariable Rate, as it was formerly?
No.

760. Therefore, to get the real Interest charged, we ought to have the Power of comparing the average Rate, and not the minimum Rate?
Certainly.

761. In your Experience connected with the City of London, independently of your Connexion with the Bank of England, have you ever known such Vicissitudes in the Rate of Interest and of Discount as there have been since the Act of 1844?
Certainly not.

762. Could you inform the Committee what the Variations in the Rate of Interest at the great Discount Offices were, contemporaneously with the Period to which you have referred?
I find it difficult to answer that Question, and can only do so from general Report, which, perhaps, is no great Authority. I have heard it stated to have been very high indeed; from Eight to Twelve, and even Fifteen per Cent. per Annum; but I have no personal Knowledge of those Rates.

763. You have heard of Cases of Fifteen per Cent.?
I have heard such Rate mentioned.

764. The Return of the mere Rate of Interest charged by the great Money Dealers does not represent the Amount of actual Charge to the Party, without adding to the Amount of Interest the Charge for Commission?
That is one Mode of making up the enormous Charge which is occasionally made.

765. Will you explain how that operates?
A Commission is charged in Times of pecuniary Pressure according to the Opinion of the Money Dealer. Sometimes he will charge a Half per Cent., and I believe sometimes as high as One per Cent., in addition to the Interest at which he professes to give the Accommodation. But I have so little practical Knowledge of these Transactions that it is desirable the Committee should refer to Persons who have more personal Acquaintance with them.

766. When you say that the Charge for Commission is sometimes One per Cent., is that One per Cent. per Annum like the Charge for Interest?
No; it is One per Cent. whatever the Time may be for which the Accommodation is given, so that if it is for Three Months the Commission would be at the Rate of Four per Cent. per Annum.

767. Although you are unable to give the Committee the Details of these great monied Operations, can you inform the Committee whether you connect with these great Vicissitudes in the Rate of Interest any considerable Portion of the Commercial Suffering which has occurred in the last Year?
There cannot be a Question that the Rate of Interest to the Extent which was charged in 1847 has prejudiced the Commercial and Manufacturing Interests of the Country to a very great Extent.

768. Have you known Instances with respect to Manufacturers of their finding Difficulty in executing Orders that they received from abroad in consequence

consequence of the high Rate to which they were subject for their Banking Accommodation?

Merely by Information, not from personal Knowledge.

769. But you have had that Information, and you believe it?

Yes.

770. Do you connect those great Variations of Interest in any considerable Degree with the Act of 1844; in other Words, supposing that Act had not passed, and your Banking Operations had been carried on in October upon more enlarged Principles, do you think that, considering the Resources which the Bank then had at its Disposal and that the Exchange was favourable, you would have had that Rate of Interest?

Certainly not. I think the Bank were perfectly able after the Month of April to have continued a moderate Rate of Interest, so long as the Exchanges remained favourable, which would have tended greatly to promote the Commercial Prosperity of the Country.

771. In relation to the Power which the Bank has of giving Accommodation without thereby aggravating Danger or sustaining Loss, it is stated in your Evidence before the House of Commons in 1840 that the large Advances given to American Houses had been at that Period almost entirely repaid. Have those Accounts been liquidated?

Not entirely at the present Time; but, as far as the Accounts have been made up, I think the Loss sustained will not exceed 200,000 *l.*

772. And that was on Transactions of about 6,000,000 *l.*?

Yes. Those Accounts can be obtained from the Bank, if necessary, for the Information of the Committee.

773. You recollect that at one Period an Endeavour was made by the Bank to adjust the unfavourable Exchange by the Remittance of Silver to France, against which the Bank drew?

Yes.

774. Do you think that that Operation (not referring especially to these particular Times) is an Operation which may be usefully resorted to by the Bank in Cases of unfavourable Exchanges?

The Sale of Silver is generally equally beneficial in this Market. It depends however upon the State of the Silver Market whether the Measure alluded to should be adopted. At the Time when that Transaction took place, which was, I think, in January or February 1832, I remember that Silver was sent to France and Bills were drawn against it, and Bills were remitted from France to this Country upon the same Account. It was towards the Close of the Drain; and my Impression is that the Transaction was one which proved extremely beneficial, in supporting the Rates of the Exchange with the Continent.

775. Do you think that you have as much Facility under the Act of 1844 of effecting such an Operation, if it should appear desirable, as you would have if your Hands were not so much tied?

There is One material Defect in the Act of 1844, as it has always appeared to me, in the Bank being precluded from holding more than a certain Amount of Silver with reference to the Gold in the Bank's Possession. The Bank is thereby precluded from holding a large Amount of Silver, which would in Times of an unfavourable Exchange be equally beneficial with Gold in meeting the Foreign Payments.

776. Would you wish that the Act had left the Proportions of Gold and Silver entirely within the Discretion of the Bank?

Certainly; always imposing upon the Bank the Necessity of holding an adequate Amount of Gold to secure the Convertibility of the Bank Note.

777. Do you mean that the Amount of the Issues should be always in a certain Proportion to the Amount of Gold, or that it should be in a certain Proportion to the Amount of Gold and Silver combined, it being a Matter of Indifference what Proportion shall be in Silver and what Proportion shall be in Gold?

No. The Meaning I wish to convey is this, that the Bank should be bound

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at all Times, if in the charge of the Issue of Bank Notes, to retain an adequate Amount of Gold, that being the legal Tender of the Country, to secure the Convertibility of the Bank Note, holding the Remainder of the Bullion, if the Bank sees fit to do so, in Silver.

778. What do you consider to be an adequate Amount of Gold to secure the Convertibility of the Bank Note? Will not the very same Amount which is adequate to secure the Convertibility of a smaller Circulation of Bank Notes be inadequate to secure the Convertibility of a larger one?

Certainly. If we had a Circulation of 20,000,000 *l.* I should consider that the Proportion of the Gold and Silver required to secure the Convertibility of that Amount might be a Third. Supposing the Bank to hold in such a State of the Circulation of Notes with the Public Seven Millions of Gold, and the Bullion to be increasing, the Bank might hold with perfect Safety the further Quantity in Silver.

779. You have stated your Opinion that the Restriction of the Act of 1844 is an unsafe Principle for directing the Business of the Bank. Is it your Opinion that there should be no Restriction at all, and that every thing should be left as formerly in the Discretion of the Bank Directors; or, if you think that there should be some Restriction, what Description of Restriction should you think it proper for Parliament to apply?

I do not object to the Principle of the Act of fixing Fourteen Millions as the Issue upon Securities and the Remainder upon Bullion; that of itself will secure a very large Reserve of Bullion at all Times to ensure the Convertibility of the Bank Note. Therefore it is not the principle of the 14,000,000 *l.* that I object to, but it is the Want of Power to relax that Principle when the Circumstances of the Country will enable the Bank to do so without endangering the Convertibility of the Bank Note.

780. Are you of opinion that there should be a Restriction such as is imposed by the Act of 1844, with a dispensing Power intrusted to the Treasury or to any other Body, or in what Manner would you advise Parliament to give a Power of relaxing the Restriction upon the Issue of the Bank?

I do not feel able satisfactorily to answer the Question. While I admit the Principle of the Act of 1844, of Fourteen Millions upon Securities and the Remainder upon Bullion, I feel that the Power of Relaxation is one that goes a great Way to destroy the Principle of the Act, which renders it extremely difficult to say what should be the Regulation, and when it should be acted upon. At the same Time I am of opinion that the Bank of England ought to possess the Power of extending beyond the Fourteen Millions, when the Circumstances are such as to authorize an Extension without Danger to the Convertibility of the Note, and when the Credit of the Country requires an extended Issue.

781. If the Restriction were accompanied with a Power of Relaxation on the Part of the Bank Directors it would be as if no Restriction existed?

Certainly.

782. Then are the Committee to understand that upon the whole you think it the safest Course to leave it entirely to the Discretion of the Bank Directors without any Legislative Restriction; for it seems evident that if the Maintenance of the Restriction is entirely to be left to the Discretion of the Bank, the putting in a Limitation which they are to have the Power of violating might only alarm the Public, and induce Panic and Distrust, without any Benefit?

There could be no Objection to exercise that Power with the Concurrence of Her Majesty's Ministers, if they should be willing to take upon themselves the Responsibility of giving their Assent or otherwise, when the Relaxation of the Law is required by the Bank. In the Communications I have had with Her Majesty's Ministers they have declined the Responsibility of Measures which may be considered to fall within the immediate Province of the Bank; unless, therefore, Her Majesty's Ministers be disposed to exercise such a Control upon Relaxation when proposed by the Bank I do not know where to place it.

783. When

783. When you say that there should be certain Proportions between the Specie and the Paper of the Bank, do you mean between the Specie and the Notes of the Bank, or between the Specie and the general Liabilities of the Bank? You have stated, and you have given good Reasons for the Statement, that the Issue of Notes varies according to various Circumstances, and that, therefore, any specific Amount of Notes is no Indication of Excess or no Excess; can, therefore, a Bill which imposes a Restriction founded on the Issue of Bank Notes, without reference to the actual Circumstances of the Case under which those Notes are issued, work well consistently with the Opinions you have already given upon that Subject?

The Answers I have given to previous Questions have explained my Objections and Fears as to the satisfactory working of the Act of 1844, without the Retention of such a Power of Extension as I have alluded to.

784. You have stated that you think it may be expedient to permit an Extension beyond the Fourteen Millions prescribed by the Act, upon special Occasions arising, when it can be allowed without endangering the Convertibility of the Bank Note; can you specify or describe the Nature of those special Occasions which may arise on which you think a Departure from the Law would be expedient, or do you think it impossible to predict them?

I mentioned the Periods of the Middle of April last and the End of October. On those Occasions, if in the first instance the Bank had had the Power of extending the Issue, even supposing the Exchanges to have been against the Country at that Time, by advancing the Rate of Interest, with Nine Millions and a Quarter of Bullion in possession of the Issue Department of the Bank, there would have been Abundance of Time, before any material Reduction of Bullion could have taken place, to have corrected the Evil.

785. That was a particular Occasion, arising out of a particular Combination of Circumstances to which you have alluded as constituting the Cause of the Distress of last Year; are there any other Occasions, distinguished from that particular Combination of Circumstances to which you have alluded, in which you would in like Manner consider it expedient that the Restriction should not exist?

I am not aware that there was any particular Combination of Circumstances in April. I consider that similar Circumstances may again occur, not necessarily, but probably. What occurred last April was a Case of Foreign Demand, which was so extensive and sudden between the 27th of March and the 17th of April as to have rendered a Relaxation of the Act peculiarly important; deprived of that Power, the Bank was under the Necessity of forcibly contracting the Issue. A Relaxation at that Time would, in all probability, have terminated the Pressure in Two or Three Weeks.

786. Then it is specially against a Recurrence of that particular Foreign Demand which took place under the Circumstances you have described last Year that you would think it necessary to guard in any future Legislative Provision?

If the Act had been in existence in the Spring of 1839, when the similar Circumstances occurred, the Bank would have been under the Necessity of pursuing the same Course, of restricting the Issue for a limited Period.

787. Do you limit your Observation of the Necessity of some Interposition relaxing the Exigency of the Act to the Month of April last Year, or do you not extend it with still greater Force to the Month of October?

Certainly, with greater Force to the Month of October.

788. The Difference being that in October the Exchanges were favourable which had been adverse in April?

The Difference between the Two Periods is this,—that in April the Bank should have been able to extend the Issue by advancing the Rate of Interest, in October, the Demand having been to support internal Credit, the Bank might have extended the Accommodation to relieve that Pressure.

789. Without raising the Rate of Interest?

Certainly.

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790. You have stated that this Act of 1844 would not, without Relaxation, work well in the Year 1847, and that it would not also in the Year 1837–38; would it in the Year 1825–26?
Certainly not.

791. Can you point out any Case of Panic or Distress which we have witnessed in which it would not have been necessary to suspend the Action of the Act?
In all those Cases to which Allusion has been made it would have been necessary.

792. Could you beforehand point out all the Cases in which it will be necessary to relax the Act, and could you beforehand draw up Clauses specifying the Occasions?
I do not pretend to say how the Bill should be drawn, but I am quite sure that if the Power of Relaxation does not exist the Country will be liable to the same Pressure that existed in 1847 upon similar Occasions.

793. Do you think that you could state in the Bill all the Cases in which the Power of Relaxation ought to be reserved?
There is, perhaps, no Mode of framing the Bill without referring to the Circumstances which have already occurred, and which render an Alteration necessary. The real Cause of the Pressure in April was the Rapidity of the Demand between the 27th of March and the 17th of April. If there had been a gradual Exportation of the precious Metals, and the Bank had taken due Notice of the gradual Reduction of their Reserve, and raised the Rate of Interest, the same Pressure might not have occurred; but if the Bank be subject to a sudden Demand of Two Millions and a Half in Three Weeks, I will defy anybody to guard against it by ordinary Measures.

794. You were asked whether, supposing this Act to be continued, a Clause might not be put in giving a Power of Relaxation under Circumstances similar to those which occurred in April and in October; those Two Cases might be stated in the Act, and a Power of Relaxation might be reserved in the Act when those Cases arose. But may not there be other Circumstances, which it is impossible for any Person to foresee beforehand, in which a Power of Relaxation may be necessary, and which therefore it would be impossible to state in the Act beforehand?
I do not imagine that any Case could exist but One or Two,—foreign Demand or internal Demand; those are the only Two Demands which I imagine can possibly exist.

795. A Case of foreign Demand you would meet by increasing the Circulation, but at the same Time raising the Rate of Interest?
I would give Accommodation at an increased Rate, which virtually reduces the Circulation.

796. In a Case of internal Demand you would not raise the Rate of Interest, but you would still give additional Accommodation?
Yes.

797. That is the Difference which you would make between internal and foreign Demand?
Yes.

798. In April the Pressure that took place was in consequence of the Failure of the Harvest?
Yes.

799. Then, although the Export of Gold took place suddenly, the Pressure might have been foreseen from the Time the Harvest had failed?
The Degree of Pressure could not possibly have been foreseen till it approached. It was known that large Preparations were making for the Importation of Grain, but to what Extent that would act upon the Circulation of the Country was uncertain, until it was seen to what Extent the Export Trade of the Country would meet it.

800. Supposing the Act of 1844 not to have been in existence, would the Bank of England have increased its Issues in the Month of April last?
I am not aware that they would, otherwise than by an Advance in the Rate of Interest.

801. Then

801. Then how did that Act aggravate the Distress, or in what respect did it restrict the Bank from advancing Assistance to the Commercial World?

By a Reduction of the Reserve in the Banking Department to 3,000,000 *l.*, which was not an adequate Proportion to meet the Liability of the Deposits.

802. Was any large Amount of good Paper refused Discount by the Bank?

Yes. When the Contraction was enforced on the 10th or 12th of April there was a decided Limitation placed by the Bank upon the Accommodation previously given to some of the large Mercantile Houses, in consequence of which the Discounts in the Month of April were reduced about a Million.

803. With the Gold going out of the Country, do you think that, with a due Regard to the Convertibility of the Note, a much larger Amount of Accommodation could have been given in April?

About the Middle of April the Export of Gold had ceased, though the Cessation of the Demand was not ascertained until the Arrival of the Packet from America towards the End of the Month. Had not the Act of 1844 rendered restrictive Measures necessary at that Time, I am of opinion that they would not have been enforced, and consequently that greater Accommodation would have been afforded to the Public.

804. While the Gold was going out of the Country do you think it would have been safe for the Bank, with a due Regard to the Convertibility of the Note, to have increased its Accommodation materially to the Public?

Under the Act of 1844 the Banking Department is distinct and separate from the Issue Department, and the Bank has been led to understand that they were to look to the Banking Business alone, and not to the Issue of Notes. Therefore the Amount of Accommodation to the Public between January and April had reference to the Banking Reserve. The Banking Reserve during that Period was very large. At the Time when the Demand is supposed to have been anticipated, namely, in September and October 1846, the Average of the Banking Deposits for the Quarter ending September was 18,600,000 *l.*, and the Reserve in the Bank was 9,800,000 *l.*; in December the Deposits were 17,000,000 *l.*, and the Banking Reserve was 8,700,000 *l.*; between January and March 1847 the Average of the Deposits was 16,500,000 *l.*, and the Reserve 6,800,000 *l.* Therefore I maintain that under the Act of 1844 the Bank had, during the whole Period from September 1846 to March 1847, a Reserve equal to meet the Accommodation which the Public required, and which the Bank was justified under the Act of 1844 in affording.

805. Then how did the Act restrain you from giving the necessary Accommodation to the Public?

Between the 27th of March, the End of the Quarter, and the 17th of April there was a sudden Diminution of Two Millions and a Half in the Reserve, which rendered a forced Contraction at the latter Time necessary.

806. Is it not the Fact that the Advances made by the Bank in the Year 1847 in aid of Commerce were greater than at any Period in 1845?

In the early Part of 1847 with an unfavourable Exchange the Currency was contracted, consequently the Demand must have been greater upon the Bank than it was at other Periods when the Currency was upon the Increase.

807. Was not the Amount of Accommodation actually afforded greater?

The Demand must have been greater, and therefore the Accommodation was greater, the Bank having had the Power of affording it.

808. Does not that prove that the Bank had the Power of affording it?

In April the Accommodation afforded by the Bank was diminishing. On referring to the detailed Statement of the Securities the Committee will find a material Diminution of the Discounts from 17th April to the 1st of May.

809. In this Return One Column is headed "Public" Securities, and another is headed "other" Securities; are those "other" Securities all Discounts or Accommodation to Trade?

I presume not. They cannot all be Commercial Securities. I think there is a special Return of Discounts, which states the Diminution in the Month of April at about 1,000,000 *l.*

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810. Do you think it is satisfactory that the Publication of the Reserve should take place?

I think it is very unsatisfactory that any Publication of the weekly Accounts should take place; it increases the Alarm when the Amount of the Reserve or Bullion is rapidly diminished.

811. Do not you think that the Alarm which took place in the Spring of 1847 was very much occasioned by the Publication of the small Sum in the Reserve?

Certainly.

812. You have said that in the Year 1847 there was a large Sum of Money sent out of the Country to purchase Corn. Did not a great deal of Speculation take place in consequence of the Acts of Parliament which passed in the Session of 1846; Speculations resulting from Foreign Goods being brought into this Country at reduced Duties?

Not that I am aware of.

813. Who were the first People that went in the Panic in the Autumn of 1847?

Principally Persons embarked in the Corn Trade. Lesley, Alexander, and Co. was one of the largest Houses that failed. It took place in August.

814. And about that Time a good many others in the Corn Trade were in Difficulties?

Yes; a good many.

815. Do you know whether there was great Distress among the Cotton Spinners of Lancashire?

From the Cessation of the Export Trade there was a good deal of Distress in the Cotton Trade.

816. Are you not aware that great Quantities of Cotton Goods were exported to pay for the Corn imported into this Country?

I think there was a good deal of Export Trade carried on to different Parts of Europe from whence the Corn was brought.

817. You do not know whether any considerable Export of Goods took place to pay for the Corn?

Undoubtedly there did to America, and I think to the North of Europe.

818. Were there more Cotton Goods exported in the Year 1847 than in previous Years?

No, I think the aggregate Export was about the same; but to certain Parts of Europe and also to America, from whence we received Corn, I think there was a larger Export than usual.

819. Did you ever hear that Applications had been made to the Governor of the Bank of England to advance Money upon Exchequer Bills which they declined?

I think there was a Regulation or an Order of the Governor in October, or at some other Period, which can be furnished by the Bank, in which he declined to advance upon Exchequer Bills or Stock; but I cannot precisely state the Period without Reference.

820. If the Bank of England were to go suddenly into the Market, and, for the Purpose of getting back their Notes, were to sell a great Quantity of Stock, would not that have the Effect of very quickly and very seriously lowering the Funds?

Provided the Credit of the Country be entire, and it is not done in any improvident Manner, there is no Dfficulty in the Bank selling a certain Proportion of Stock and gradually withdrawing its Notes.

821. Supposing that in the Month of October when the Reserve of the Bank was low, and when the Public were aware that the Reserve was low, the Bank had proceeded to sell Stock to the Amount of 2,000,000 *l.*, do you think that would have had any material Effect upon the Funds or not?

I think it would have forced the Price of Three per Cents to Sixty. There is no Price that I can name that they might not have fallen to.

822. Then

822. Then it is hardly necessary to ask you whether in such a Case the whole Credit of this Country might not have been at once destroyed?

If any violent Measure of that Sort had been taken no one can say what might have been the Consequence. I do not believe that the Bank could have got Two Millions Sterling of Notes by selling Stock towards the Middle and End of October.

823. Do you believe that some such Operation as that would have been required if it had not been for the Issue of the Government Letter?

Certainly.

824. Can you refer in your past Experience to any Cases in which if the Act of 1844 had been in operation it would have been productive of great Inconvenience?

I can certainly state One or Two Periods when there would have been a positive Break-down.

825. Will you state what those Periods were, and the Circumstances of them?

There have been many Occasions when the Reserve came down so low that the Bank would probably have suspended its Accommodation to the Public. I have an Account made out for Twenty Years, from the 1st of July 1828, which is about the Time when I came into the Chair of the Bank, up to the present Period. I think the first Period when the present Act would have failed, if the Bank had attempted to carry out the Transactions then undertaken, was on the 28th of February 1837; at that period there were 3,900,000*l.* to 4,000,000*l.* of Bullion in the Possession of the Bank, and when the Bank would have been left with 650,000*l.* only in the Reserve. Another Period is in the year 1839, which continued from the 9th of July to the 5th of December.

826. What was the Amount of the Reserve in that Case?

The Reserve was minus altogether 200,000*l.* upon the 5th of September. On the 5th of November it rose to about a Million or a Million and a Half.

827. What would have been the Case in 1825?

I have no Account of 1824.

828. Do you know enough of 1825 to be quite sure that the Bank could not have carried on its Operations under the Act in 1825?

In December 1825 there was about 1,100,000*l.* of Bullion remaining. At that period it must undoubtedly have failed in toto if this Act had been in existence. The Issue in December, I think, was Five or Six Millions of Notes in a Week, which relieved the Panic that existed at that Period.

829. Do you think that if the Act had been previously in operation you would have got into the Situation in which you were in the Year 1825?

Without referring to the actual working of that Period I am not able to answer that Question.

830. Can you answer the Question as applicable to the Years 1837 and 1839, with which you are cognizant? Would the Provisions of the Act of 1844, if they had been then in existence, in your Judgment, have prevented the Commercial Pressure which then arose, or altered the Amount of it?

The Act of 1844 would have prevented the Bank giving Assistance to the American Trade in 1837. I think, in the Winter of 1836, when the Northern and Central Bank failed, it would have been impossible to have supported that Bank, or to have assisted the American Houses in 1837.

831. That was the Means of saving those American Houses?

There were Three of the principal American Houses that failed, but the Aid afforded by the Bank rendered essential Service to others engaged in that Trade. Almost every House connected with America was in a State of Discredit, and unless the Bank had come forward at that Period, I do not believe that there would have been more than One or Two Houses that could have sustained themselves.

832. And the Bank could not have done so if the Act of 1844 had been in existence?

Certainly not.

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833. Seeing the low State to which your Reserve was reduced in October last, supposing that instead of having providentially a good Harvest that Year we had had a Second Failure of the Harvest, and we had been obliged again to have the same Recourse to America for the Amount of Food that we had the Year before, would any thing have saved the Bank from stopping?

If the Bank had not advanced the Rate of Interest so excessively between August and October 1847, and if the Trade of the Country had been in its usual State in 1847, I do not think the Failure of a Second Harvest would have had any thing like the Effect that it had in the first instance.

834. But seeing the Condition in which the Country actually was in October (the Harvest of this Country having been determined in the preceding Month of September), supposing the Harvest a Second Time to have failed, would it have been possible to have paid for the Food that would have been required from America, supposing it to have been required to the same Extent that it was in the Year preceding, without stopping the Bank?

I think it is very doubtful whether Payment could have been made under the Circumstances stated. The Commerce of the Country was so much affected, especially the Export Trade, that I very much question whether we could have paid for an Import of Grain equal to that which took place in the early Part of the Year.

835. You could not have paid that Amount, acting under the Restrictions of the Act of 1844, but, inasmuch as you then had between Eight and Nine Millions of Bullion, you could have met the Emergency if the Act had not existed?

In all probability.

836. Was the Pressure in 1837 and in 1839 a very extreme Pressure?

That in 1837 is not to be compared with that of 1847. The Pressure in the former Year was chiefly confined to the American Trade, in consequence of the Excess and Unsoundness of the Credit by which it had been carried on.

837. That was in 1837; but what was the State of Things in 1839, when the Exchanges were against the Country, and there had been a great Purchase of Grain to be paid for?

The Case of 1839 was a very peculiar one, and there is a great deal to be said as to the Cause of the Discredit at that Period. I recollect a great Pressure upon the Bank of England, but I do not recollec any corresponding Pressure upon the Manufacturing Interest.

838. What did that Pressure upon the Bank of England proceed from in the Year 1839?

It is a very long Story. I am of opinion that it arose from the peculiar Manner in which the Bank was governed at that Period. There was a very large Import of Corn in the early Part of 1839, arising from the Failure of the Harvest of 1838. The Bank held in December 1838 near Ten Millions of Bullion. Between the End of December and the 1st of May nearly the same Export of Bullion took place as in the Year 1847,—about Six Millions; and the Bank was left in April 1839 with about Four Millions and a Half, and the Exchanges then continuing against the Country. The Question then arose in the Committee of Treasury of the Bank, whether it was not desirable to make use of Foreign Credit confidentially as a Means of making the further Payment, believing that the Payment was one limited to provide for the Import of Corn. Under that Conviction, on the Part of the Committee of Treasury a private Understanding was entered into with Messrs. Rothschild to negotiate a Million Sterling upon Paris and Hamburgh. That Negotiation carried the Bank through the Month of May; and while the Exchange was maintained by those Drafts the Bullion was retained in the Bank, it having been the Opinion of the Parties who had then most Influence in the Government of the Bank that the Bullion ought not, if it could be avoided, to be reduced below Four Millions, to secure the Convertibility of the Bank Note. In the Beginning of June a Rumour prevailed that the Bank were drawing upon Paris as a Means of maintaining the Exchange, and it became a Subject of Conversation among the Directors of the Bank who were not Parties to the Measure. At last

last the Question was distinctly put, whether the Rumour was true? It was accordingly admitted. Upon which some Gentlemen advocated the Opinion that the Measure was contrary to Principle, and that the correct Principle was to raise the Rate of Interest, by which the Price of Commodities would be lowered; in short, to make Money dear and Commodities cheap, by which the Foreign Payment would be accomplished. Upon that Determination, if my Memory be correct, a Resolution passed the Court that the Negotiation upon the Exchange should be suspended, which occasioned an immediate Fall in the Exchanges in London of Twenty Cents, I think, upon the Day when the Authority for drawing was withheld from Messrs. Rothschild, and which caused a considerable Apprehension and Alarm in the City of London and in Paris as to what could be the Cause of that great Fluctuation. The Cause soon became known that it was the Suspension of the Operation sanctioned by the Bank. Shortly after which followed a Discredit of all the Paper upon England held in Foreign Bill Cases, under the Belief that the Bank could not sustain Specie Payments; their Bills were accordingly forthwith transmitted to London, to be discounted at any Rate of Interest that should exist, and the Value returned in Bullion. The Rate of Discount was raised by the Bank to Six per Cent., without stopping the Demand upon the Bank for Bullion, which amounted within a Month to about Two Millions out of the Four Millions and a Half which had been previously retained. The Demand for Bullion increased so rapidly that there was great Doubt in the Minds of those Parties who had advocated this Change of System as to the Course which should then be taken. At that Period the Governor of the Bank of France, Count D'Argout, happened to be in London, and it was then suggested whether some Measure should not be taken to revert to the System of Drafts upon Paris, &c. which had been stopped Two Months before. The Subject was mentioned to Count D'Argout, who was willing to assist in any Plan that could legally be adopted, but which could only be done by the Paris Bankers acting upon the Bank of France. In consequence of the Understanding then entered upon with Count D'Argout, a Communication passed with one of the principal Houses in London, who negotiated the Transaction with the Paris Bankers for a Credit to be used upon the Exchange of London and Hamburgh. It was used accordingly, and I think the Bank was possessed, when this Credit commenced, of about Two Millions and a Half of Bullion, and the Drafts upon Paris and Hamburgh amounted very nearly to that Sum. By those Drafts every Bill upon London was provided for, and when the Bills were so met the Exchanges advanced, and before Christmas the Bank had not only provided for the Foreign Drafts, but had also recovered Four or Five Millions of Bullion, which closed the Transaction. I always considered that the Discredit of 1839 arose entirely from the Circumstances here referred to, and was not connected with any speculative or commercial Action causing a Derangement of the Currency.

839. Are the Committee to understand that you connect the Discredit which arose in that Case with the Suspension of the First Action upon the Exchanges in the Manner you have described, or do you connect it with the Action upon the Exchanges which took place under the System subsequently pursued?

The Evil arose from suspending the First Action. If the Committee of Treasury had been permitted to carry on the First Action for Three or Four hundred thousand Pounds more, I believe that the whole Matter would have been arranged. By stopping the Action, and endeavouring to enforce the Principle of raising the Rate of Interest, it appeared that there was not Time for such a Measure to accomplish the Object contemplated. The Consequence would have been, if it had been persisted in, that the Bank would have been drained of nearly every Sovereign in the Vaults.

840. But still that would not have been possible under the existing Law?

Certainly not.

841. That Risk would not have been incurred?

Under the existing Law we never could in credit have carried through the Payments of 1839. The Bullion in possession of the Bank in December 1838 was not adequate to meet the Payment for Corn then imported; and I doubt whether any moderate Contraction at that Period could have given Time for

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making the Payment by the Exportation of Produce or bringing back English Credits.

842. Is not it probable that if this Act had existed then, before the Autumn of 1838 the Action of the Act would have been felt or anticipated by the Managers of the Bank, so that your Coffers would have been fuller than they were?

The Deficiency in the Harvest was not known till quite the Turn of the Year.

843. It appears by a Return before the Committee, that in the Month of March 1847 the Bank of England discounted no less than Two Millions and a Half at the Rate of Four per Cent.?

I presume that was merely supplying the Place of Bills that went off.

844. If the Bank of England had commenced, after the great Demand which appears to have taken place in the first Week in March, to raise its Rate of Interest to Five per Cent. at the lowest, do you not think that would have materially tended to prevent that sudden and rapid Increase of Interest that took place in the Middle of April?

The Bank had on the 6th of March 6,300,000 *l.* in the Reserve and 16,750,000 *l.* of Deposits, therefore the Bank had more than a Third Reserve in its Possession, which I submit is a larger Proportion than any Banker would be called upon to retain.

845. Did not so large a Demand for Discounts at the Time indicate something of a coming Pressure?

If I am to give Evidence as regards the working of the Banking Department by itself, then I treat it as merely a Question of Deposits and Reserve; if my Evidence is to be as regards the working of the Two Departments together, then the Bullion of course comes into consideration.

846. The Question refers to the Banking Department?

Then, on the 6th of March, the Bank had 16,750,000 *l.* of Deposits, and 6,300,000 *l.* of Reserve; on the 13th of March, 17,150,000 *l.* of Deposits, and 6,200,000 *l.* of Reserve; on the 20th of March, 17,270,000 *l.* Deposits, and 6,200,000 *l.* Reserve. Therefore, at all those Periods, the Bank had a larger Proportion of Notes and Coin in possession than any Banker in London would have retained.

847. When did that Amount begin to diminish rapidly?

It was between the 27th of March and the 17th of April. On the 27th of March the Bank had 16,790,000 *l.* Deposits, and 5,600,000 *l.* Reserve. Between that Day and the 17th of April the Dividends were issued. The Reduction of the Reserve was caused by the Export of Gold which took place between the 27th of March and 17th of April of more than a Million and a Half.

848. But, practically, if the Bank of England had raised its Rate of Discount earlier, and had thereby increased the Value of Money, and lessened the Prices of other Commodities, would not the Effect have been to prevent that sudden Pressure which occurred in the Middle of April?

Looking at the Character of this Demand as a Payment for Corn with the Amount of Bullion which the Bank held when that Demand commenced (15,000,000 *l.*), I think there was nothing whatever to alarm the Bank as to their Power of making the Payment, and that therefore they were not called upon to raise the Rate of Interest beyond what they did raise it to. If the Rate had been materially advanced, so as to have created any considerable Effect upon the Exchanges, it would have been to stop the Importation of Corn. If we had raised the Rate of Interest to a Degree that should have had the Effect of stopping the Export of Gold by increasing the Value of Money, it would have had the Effect of diminishing the Bills upon the Foreign Exchanges, and would thereby so far have endangered the Importation of Corn.

849. Would it not rather have rendered it more gradual than have diminished the whole Amount ultimately?

I do not believe that a Difference of One per Cent. in the Rate of Interest, from Four to Five, or from Five to Six, till the Credit of the Country begins

to

to be affected, would have any material Effect in stopping a Payment, which must positively be made. I do not think the Payment could have been made advantageously, between the Months of January and April, by having raised the Rate of Interest to Five per Cent. or higher.

850. In August 1846 the Rate of Interest was Three per Cent. Do you think it would have been advisable if during the Months of September and October 1846, when your Deposits were diminishing, the Rate of Interest had been raised?

At that Period the private Deposits were increasing. On September the 26th the private Deposits were 9,200,000 *l.*

851. What were they in June and July?

In June the Railway Account interferes, which requires Explanation. In June they were 15,000,000 *l.*

852. The Railway Deposits, which were very large, are included in the private Deposit Account from January to the End of July. The great Increase on those Deposits during those Months was owing to the Railway Deposits?

Entirely.

853. So that though it appears by this Statement that the private Deposits in the Bank were diminishing, they were not in fact diminishing beyond the ordinary Rate, except the Railway Deposits?

The Deposits did not exhibit any material Diminution during the Period alluded to.

854. Therefore you saw no Reason why the Rate of Interest should be raised?

There was no Reason for raising the Rate of Interest in September, October, November, or December 1846.

855. Then the sudden raising of the Rate of Interest on the 9th of January 1847 was owing to the State of your Reserve?

It was owing to the Reserve going down.

856. Then on the 16th the Rate of Interest was raised another Half per Cent.?

It was raised to Four per Cent. on the 16th of January. There did not appear to the Court any Reason as Bankers for fixing a higher Rate of Interest than Four per Cent. at that Period.

857. They look to it as Bankers without regard to the Issue?

The Bank was given to understand it had nothing to do with the Circulation; that the Object of the Bank was to look at the Banking Account alone. In making that Statement I beg to say that I dissent entirely from that Doctrine; but that was the Doctrine laid down for the Government of the Bank.

858. And upon that the Directors have acted since the Act of 1844?

They have professed to do so.

859. You have stated that when the Exchanges are against you, to get the Exchanges to turn in your Favour the Course which you would adopt would be by still giving Accommodation, but raising the Rate of Interest?

Yes. As a Banker I should be governed merely by the Reserve. When the Reserve came down to 3,000,000 *l.* it was necessary to take strong Measures to increase it. Having increased it I should have been governed in the Rate of Interest by the State of that Reserve. So far as the Bank is concerned it has nothing to do with the Circulation; it is required simply to look to the working of the Bank in its Banking Department.

860. Are you aware that other Bankers in their Transactions look very much to the published Statement of your Reserve, and to the Transactions of the Bank as Bankers?

I have no Doubt of it.

861. Therefore, in fact, the Banking Transactions of the Bank of England govern more or less the whole Accommodation of the Country?

The Knowledge of the Bank's Action and its Reserve has a material Effect upon public Opinion among the private Bankers in the Country, and in London particularly.

 862. With

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862. With reference to the Act of 1844, you have stated that you think that the Amount of Accommodation to be afforded should be left somewhat to the Discretion of the Bank, but that at the same Time you would like to conjoin with it the Government?

I feel that it is absolutely necessary for the Purpose of granting Commercial Accommodation when necessary, with reference to the Foreign Exchanges, that the Power should exist somewhere; whether with the Bank of England or with the Government of the Country is quite immaterial, but it should exist somewhere. When Commercial Credit is to be upheld it must be upheld by an Extension of the Bank's Paper.

863. Do not you consider it an extremely nice and difficult Question to pronounce what is Credit founded upon substantial Capital and the Amount to which Credit is to be upheld, taking care that you only uphold such Credit as shall ultimately prove to be well founded?

Before that Extension be granted Care should be taken to ascertain the Cause of the Demand. If it be nothing but speculative Credit it cannot be upheld. If there be Distrust or Discredit arising out of Transactions such as those which existed in the Autumn of 1847, then that is a Case where the Bank might with perfect Safety grant an Extension. But every Case must stand upon its own Merits.

864. Was any Credit refused in 1847 which you think ought to have been granted?

I mean to say that there was not Power to give ordinary Accommodation. Those that applied to the Bank of England obtained Accommodation upon the best Securities at extravagant Rates of Interest.

865. Did not the Accommodation which you granted to the American Houses in 1837 endanger the Convertibility of your Notes into Specie?

I think not. The lowest Amount of Bullion held by the Bank at that Time was about Four Millions.

866. You say that the Discretion as to the Relaxation of the Act of 1844 might rest with the Directors of the Bank of England. Then is not it important to consider who appoint those Directors; and inasmuch as those Directors are engaged in large Commercial Transactions themselves, do you think they would always be the best Judges of when Accommodation could be granted or not?

I should not wish any Discretion to be given without the full Concurrence of the Government, provided they are willing to take upon themselves the Responsibility of acting when the Question may be brought under Consideration.

867. Do you believe that a joint Responsibility would be worth anything?

I am of opinion that the End would be answered by its Adoption.

868. Supposing the Act of 1844 to continue, should you not say that it might be worthy of Consideration whether, as the Bank Directors would of course continue to look at it merely as a Matter of Banking, the Management of the Circulation should be totally and entirely separated from it?

I believe that the great Defect of this Act is the Separation of the Bank of England into Two Departments, the Banking and the Circulation. I think they are so intimately connected, that if the Bank of England is worth anything at all they should be united. The Circulation and the Banking Department should be, as they formerly were, One, subject to any Control and to any Superintendence or Supervision which the Government may think fit to make upon their Action. The Separation of the Bank of England into Two Departments appears to me to be the most inconvenient and objectionable Measure that could be brought forward for Publication.

869. Have you any Opinion as to the particular Nature of the Superintendence which it would be desirable should be exercised, either upon the Part of the Government or otherwise?

No other Mode than the Accounts being submitted, as they now are in the Gazette, to Her Majesty's Ministers, or to any Individuals, Members of the Government, who may be appointed to that Supervision. I object to the Publication

lication in its present Form; it alarms the Public Mind at Periods of Diminution, which increases the Evil instead of diminishing it. The Object of that Publication, if I understand the Act, was to give the Public Notice of the Position of the Bank for the Government of their Mercantile Transactions, which I believe to be perfectly nugatory and to have no effect.

870. Are you of opinion that the Effect of that Publication is rather to mislead than to set right the Public?

Decidedly, when the Nature of the Transactions are unexplained.

871. Upon that Subject is there any Difference of Opinion among the Bank Directors?

I believe that the general Opinion is against the Publication in its present Form.

872. Assuming for Argument's Sake that the Provisions of the Bank Act of 1844 were in all respects right, and that they had worked well, do you think that after the Interposition which has taken place by the Letter of the Government in the Month of October last there will be any Confidence in the future Maintenance of those Provisions in a Time of Exigency?

I am unable to answer as to what the public Feeling may be upon that Question. I think the Public will be always full of Apprehension of the Consequences of the Act; but whether they will rely upon the Relaxation I am unable to offer an Opinion.

873. Do not you think that supposing the Circumstances to be somewhat analogous, or at all approaching to or identical with those in October, there will be a Pressure upon the Government, and an Expectation excited among the Mercantile World that the same Interposition which has been found effectual now would be again repeated?

It is difficult to answer the Question as to what the Public might feel upon it; it depends upon the Decision of Parliament. If Parliament adheres rigidly to the Act, and declares that the Act is to be carried out in all its integrity, I presume that the Public will expect it to be so.

874. Would not the Danger of Pressure be infinitely greater if Power were given by Parliament to the Government to relax the Act?

I think not.

875. Would there not be danger that their Interference might be called for before it was necessary, and would not the Refusal of it, in Times of even moderate Distress, be very unpopular?

I think the Question must depend upon the Events passing at the Moment. If the Events were such that the Government themselves believed it to be necessary they would, I presume, sanction the Bank proceeding upon their Recommendation. There are different Circumstances that might be called Pressure; upon some Occasions it might be desirable to afford Assistance, and upon other Occasions not.

876. Seeing the great Diversity of Circumstances in the Cases of Pressure, of which you have given Instances, does not it rather bring you to the Inference, that after all the Management of the Bank must be left to the Discretion of the Persons who manage it?

I think the Government of the Country would, as they have hitherto always done, receive the Impression of the Bank Directors respecting the Facts which they might be able to communicate with that Consideration which might be due to them. But I do not see why every Case should not be judged by its own Merits. I cannot foresee myself any great Difficulty in deciding upon any great Question of that Nature that may arise.

877. Are the Committee to understand that the Result of your Opinion upon the whole Case is, that it is proper that the Bank should work under a Restriction, with a Power somewhere to relax that Restriction occasionally?

I feel the Objections to this Act to be so considerable, that if it were possible I would get rid of it altogether, and leave the Matter as it stood before the Act was enacted; but if the Act is to be retained and carried out, then

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then I would retain it with a Power of Relaxation by the Bank, with the Concurrence and Approbation of the Government.

878. The Committee are now asking your Opinion whether it is desirable to retain the Act or not?

I should say certainly not. My own Impression, after the past Experience to which I have been a Party, is, that no Benefit whatever has arisen to the Country, but the contrary, from that Enactment.

879. Then, not retaining the Act, would you go back to the old System of Management, leaving the Bank to be managed according to the simple Discretion of the Bank Directors, or would you put upon them any Restriction whatever?

I would take the Principle of either 14,000,000*l.* or 16,000,000*l.*, or any given Amount that was deemed desirable, as the Foundation of the Management of the Circulation, and then working upon that 14,000,000*l.* without a weekly Publication I see no Difficulty whatever, with a Power of Relaxation such as has been alluded to.

880. Do you mean that you would put those Restrictions into the Act of Parliament, or that you would merely consider them as Restrictions upon which the Bank should act under their own Discretion?

That would be determined upon by Parliament; it would be quite immaterial to the Bank. If 14,000,000*l.* be the Sum agreed to be issued upon Securities, then I see no Difficulty in the Bank working upon that System.

881. You stated that in your Opinion it is a great Mistake to say that the Bank should merely be guided according to its own Interest in the Management of the Bank as a Banking Company for its own Advantage, and that it should have no Consideration for the State of the Circulation or the general Commerce of the Country?

I think so.

882. You think that the Bank should take a larger View of the State of the Circulation of the Country, and to a certain Extent endeavour to regulate or assist it?

I meant to state that the Difference between the Bank of England and private Establishments is very great, and therefore that the former cannot be managed similar to Joint Stock or private Banks, upon the Principles endeavoured to be established by the Act of 1844.

883. Does not the Public at the present Moment expect the Bank to act upon those Principles, contrary to the Act of 1844? Do not they look to the Bank for Assistance which they may not be able to give according to the strict Rules of 1844?

They look for Assistance so long as they see a Reserve that can give Assistance.

884. Do you conceive that the Public can have any Security for the Bank carrying on its Operations according to any fixed Rule, with reference to the Amount of Bullion in their Hands or otherwise, except by such Provision being introduced into an Act of Parliament?

I think that if it be introduced into the Act that the Bank shall issue Fourteen Millions upon Securities, subject to Extension only by the Concurrence of the Government, it will ensure so large a Retention of Bullion in ordinary Times as to give every Security to the Country that can be requisite for the Convertibility of the Bank Note. Fourteen Millions issued upon Securities would in ordinary Times of Credit secure the Retention in the Bank of upwards of Nine Millions of Bullion, which is more than is required to ensure the Convertibility of the Note.

885. You said that you considered it necessary, in order to secure the Convertibility of the Note, that a certain Proportion of Bullion to Issues should be maintained in the Bank, and you stated that you would be willing to take the Basis of Fourteen Millions plus a certain Amount of Bullion. The existing Law requires that every thing that exceeds the Fourteen Millions shall be covered by a corresponding Amount of Bullion. Now do you propose to require

require that the Principle of the present Law should be adhered to, and that the whole Surplus beyond Fourteen Millions should be covered by Bullion, or do you propose that a certain Proportion of that Surplus should be covered by Bullion, or do you propose that a certain Proportion of that Surplus and of the Fourteen Millions together should be covered by Bullion? *J. H. Palmer, Esq.* 18th Feb. 1848.

I meant to suppose the Act to be adhered to upon the Principle of the Issue of Fourteen Millions upon Securities and the rest upon Bullion; but I gave no Answer about the Proportion of Bullion, it was merely a theoretical Opinion; but as regards this particular Measure, I consider that the Principle might be adhered to as laid down in the Act, of issuing Fourteen Millions upon Securities, and the rest of the Issue upon Bullion; that is the Principle of the Act, and upon that Principle the Bank could safely act, with a Power of Relaxation in the Form suggested.

886. That is to say, adhering to that Principle theoretically, but practically, whenever a Difficulty arose, giving the Power of departing from that Theory, either to the Bank itself, or to the Bank subject to the Control of the Government?

Precisely; those are the Exceptions to the general Rule. The general Rule would be Fourteen Millions, and the remainder upon Bullion; but there are particular Times and Circumstances, whether arising out of the Foreign Transactions of the Country, or the domestic Demands, which may render a Departure from that Principle necessary. I feel that it is impossible to adhere at all Times and under all Circumstances to that one fixed Rule.

887. Then you would recommend proceeding in the first instance to lay down a Principle which, under certain Circumstances, you admit to be not only not beneficial but injurious, and at the same time giving in the same Act a dispensing Power to the Bank subject to the Control of the Government?

I mean to maintain that the Principle of the Act as regards the Issue of Notes is unexceptionable, and to that I have no Objection; but there are Exceptions to all general Rules; there are Cases in which it may be temporarily departed from with perfect Safety to the Currency. It is not a permanent Departure, it is a momentary Departure for a short Period.

The Witness is directed to withdraw.

Ordered, That this Committee be adjourned to Monday, Three o'Clock.

Die Lunæ, 21° Februarii 1848.

The LORD PRESIDENT in the Chair.

JOHN HORSLEY PALMER Esquire is called in, and further examined as follows:

888. Are the Notes of your Branch Banks payable in Specie at the Branches?
Yes.

889. Are the Notes of the London Bank also payable at the Branches?
That is Matter of Discretion.

890. They are not obliged to be?
No.

891. Are they, in point of fact, paid?
They are paid occasionally, but they are never demanded to any Extent without a previous Arrangement. If it be of small Amount, and a Matter of Accommodation, the Notes are paid; but if the Amount be large, the Payment must be one of previous Arrangement.

892. But you consider that the Branches are legally bound to pay their own Notes,—each Branch its own?
Yes.

893. Does not that expose you to great Inconvenience in Liverpool, where there has been sometimes a Demand for Gold to be sent to America? Does it not oblige you to keep a much larger Treasure in Liverpool than may be convenient?
I think not; for whenever the Exportation to America has been to any Extent, Notice has always been previously given, and Provision has been made either by the Person sending Gold to America, or by the Bank, at his Request, sending it down to Liverpool.

894. You are aware that a large Portion of the Export of Gold has, in point of fact, taken place from Liverpool?
Yes.

895. Has the Bank during the last Year, during what may be called the Period of Pressure, refused any Commercial Paper that would under other Circumstances have been discounted?
I think that I stated in a former Answer, that the only positive Limitation put by the Bank was in April, when they reduced the Accounts of some of the principal Merchants, or at least the Bank did not permit them to send in Bills beyond a certain Amount.

896. Has not it at all Times been the Practice of the Bank to limit the Accommodation they gave to individual Merchants?
Not unless the Demand was to an extravagant Extent.

897. And you have stated the Cause, in your Opinion, of the Pressure during the last Year; first of all, Speculations in Grain; secondly, the Distress of the People in the Mauritius, as connected with the Depreciation of the Value of their Produce; and lastly, the undue Extent of Credit upon which some Portions of Trade have been carried on, particularly with the West Indies. Has that Overtrading, or that Habit of dealing more upon Credit than usual, shown itself since the Bank have found themselves under the Obligation of restricting their Accommodation; or has it been a State of

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Trade which has existed for Years, and which would not have produced any Consequences if it had not been for the Derangement of the Circulation of Money in the Country?

I do not believe there has been any material Speculation, since the Act passed, in particular Branches of Trade, except in the excessive Import of Grain during the last Year. The Case alluded to, the India Trade, was a false System of Credit, which occasioned the Failure of several Houses; but it was Credit of a peculiar Character connected with the Export of the Manufactures of this Country to India and China which has existed for many Years past. The Export Trade has, for some Time past, principally been carried on for Account of the Manufacturers; and, in order to give Time for the Returns from the East, the Merchants who have been the principal Parties carrying on that Branch of the Trade have given their Acceptances at short Periods,—Three Months or Six Months,—and with an Understanding that the Bills, when they fell due, should be renewed for a further Period, so as to give Time for the Return of the Proceeds from India. That was the Course pursued when the Pressure in the Money Market took place in the Autumn of 1847. The Banks, from the Discredit then existing, refused to renew the Description of Bills referred to, which threw the Advance upon many of the exporting Merchants, whose Capital were not equal to sustain the Demands upon them. I believe such to have been the principal Cause of the East India Failures.

898. Then the Committee are to understand that that has been the Practice of that Trade for some Years?

Certainly.

899. Therefore it is not a new State of Things arising in the Year 1847, but it has been a State of Trade which has existed for Years, but the Unsoundness of which was shown up by the Restrictions of the Bank?

Yes.

900. And if there had been no Difficulties in the Circulation that Trade would probably have gone on as it had gone on before, and much of that Disaster which has taken place would not have occurred?

Certainly. I may be allowed to state that the breaking up of that System has been productive of very serious Inconvenience with respect to the Export of Manufactures to India at the present Moment; and it is difficult to say at present in what Form or Mode the Export Trade will be carried on to the Extent of the Demands of India till further Money Capital is found by the Merchants of this Country to supply the Place of that Credit by which it has hitherto been principally conducted.

901. Do not you consider that the Capital of the Merchants of London has been considerably reduced by the Circumstances of last Year?

I think it very much locked up in suspended Bills.

902. And a considerable Portion of it reduced by actual Losses?

It may perhaps have been reduced by Losses at the Moment, but which will probably be regained in a short Period.

903. Is not the Theory upon which the Act of 1844 is founded this:—That at Periods when the Bank are under any Apprehension as to their Ability to comply with the Law as to their Payments, the Contraction of their Issues, according to the Rule laid down by the Act, is supposed to produce a Reduction in the Prices of Commodities, and a consequent Export of those Commodities, so as to bring back Money from abroad, and to set the Circulation of the Bank right. That is the Theory upon which it is founded.

I presume so.

904. Is not that Reduction so caused in the Prices of Commodities very ruinous to all Holders of those Commodities?

Yes. The first Contraction in Times of ordinary prosperous Trade is prejudicial; but that Contraction is necessary to maintain the Currency, if it is affected by the Exportation of the precious Metals to any Extent so as to endanger the Convertibility of the Bank Note. Whatever the Inconvenience may be upon such Occasions it cannot be avoided.

905. Is not it very desirable to avoid as much as possible those Fluctuations of Price which are effected by acting upon the Circulating Medium?
Certainly.

906. Does not the Establishment of an artificial Limitation of the Powers of the Bank under the Act of 1844, instead of the ancient and natural Limitation of the Bank's Powers, namely, the actual Amount of its Specie, tend to create artificial Difficulty, and therefore an Operation upon the Prices of Merchandize that would have been unnecessary but for the Provisions of the Act?
I think that the former Answers which I have given bear that Construction, that the Bank would not forcibly have contracted during the Year 1847 under the Power which it possessed prior to the passing of the Act of 1844.

907. If the Bank, instead of finding itself as it did at the lowest Point,—within 700,000 *l.* of the Extent of its Paper in London,—had been, as it would have been under its old Charter, Eight Millions and a Half distant from that Difficulty, would not that different State of Things have rendered unnecessary that Operation upon the Prices of Commodities as you state so prejudicial to the Commerce of the Country?
I think that Credit would not have been affected as it was by the Action of the Bank. I think my former Answers bear that Construction.

908. Do you consider that, looking at the Amount of the Circulation at that Moment, and the Contingency to which the Question refers, the 8,000,000 *l.* could have been reduced safely?
Certainly, with perfect Safety.

909. To what Extent?
I consider that we should be perfectly safe as regards the Convertibility of the Bank Note in England, with a reserve of 5,000,000 *l.* of Bullion in Times of a favourable Foreign Exchange.

910. That being about an Eighth Part of the whole Circulation?
About One Fourth of the Notes of the Bank of England, assuming the Amount at 20,000,000 *l.*

911. Looking at the whole Circulation of the Country (the Bank of England being obliged to supply any Deficiency that may be caused in consequence of the Defalcation in the Paper issued by the Country Banks), do you think that the Bank would have been in a safe State if it had reduced its Bullion to the Amount that you state?
I never understood that the Bank were compelled to furnish Gold for the Country. That Duty falls, under the Act of 1844, upon the Issue Department.

912. In answer to some Questions that were put to you with respect to the Amount of Notes that were issued by the Bank about the Month of October 1847, you stated to the Committee on a previous Occasion the Amount of Notes then out. But is it not the fact that that is not the Measure of their Activity in the Market? Was not a considerable Portion of the Issue in October 1847 an Issue rather for the Purpose of Precaution and Reserve than for active Circulation in the Country?
I believe, from the best Opinion I can form, that there were nearly 3,000,000 *l.* of Notes issued merely for the Maintenance of Credit, and not required for Circulation.

913. For the Purpose of keeping as Reserves?
Yes.

914. Therefore, any Inference to be deduced from the actual Numerical Amount of Issues which the Bank had parted with in October 1847 would be fallacious, unless an Allowance were made for the Use for which these Issues were intended?
I think so.

915. You stated that a Contraction of the Currency, which reduces of course the Value of our Exports, is necessary when the Exchanges are against us?
A Contraction effected by the Rate of Interest.

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916. But when the Exchanges are in our Favour, that Contraction, if forced either by the Management of the Bank or by Act of Parliament, must create great Loss in diminishing the Value of our Goods which are fit for Export?
Certainly.

917. Has not that Excess of Credit of which you have been speaking been very much promoted by the Conduct of the Bank, at certain Periods when they have been very full of Specie, in lowering the Rate of Interest, and exhibiting an unusual Abundance of Money in the Market, thereby encouraging the People to engage in Transactions with more Credit in proportion to their Capital than otherwise would have been the Case?
I have considered that one of the Objections to the Act of 1844, in the working of the Banking Department, has been the frequent Fluctuations, or rather Reduction, in the Rate of Interest, and particularly in the Month of September 1844, when a Reduction was made in the Rate of Interest to Two and a Half per Cent., which I never remember during the Period that I have been in the Bank to have previously taken place, and which could not fail to reduce the Value of Money throughout the Country to an inconvenient Degree, the Rate of Interest in the Money Market in London having been, consequent upon that Reduction to Two and a Half per Cent., reduced below the Rate charged by the Bank, it being always a necessary Consequence that when the Currency is increasing, or while it is stationary, the Money that is in the Hands of Money Dealers must be employed at the best Rate that they can obtain, before the Bank can find Employment to any Extent for their Reserve.

918. Is not the Consequence of that that People have Money rather pressed upon them at certain Times, which encourages them to pursue a System of trading upon Credit, and then, as soon as a Time of Difficulty comes, not only that extra Accommodation ceases, but the ordinary and wholesome Accommodation of Trade is withdrawn from them at the same Time?
I am not prepared, with reference to the Case referred to, to state to what Extent an undue Use of Credit was promoted by the Reduction in the Rate of Interest, except perhaps the Railway Speculations may have been promoted by it; but I am not aware that commercial Engagements were increased by that Act on the Part of the Bank. A Reduction in the Rate of Interest to the Extent mentioned is liable to the Consequences referred to in the Question.

919. How do you explain the Circumstance of the Act of 1844 having caused the lowering of the Rate of Interest to Two and a Half per Cent., a lower Rate than you had ever known it before?
From the Circumstance of its being supposed to be the proper Course for the Bank to take to employ a given Portion of the Reserve in the Banking Department for the Benefit of the Proprietors.

920. The Effect of that would be to force them to discount, when in the former Case they would not have done so?
The Attempt was made to increase the Securities by a Reduction in the Rate of Interest, but which was not effected by that Measure.

921. Do not you consider a System under which the Interest of Money, or in other Words the Price of Capital, fluctuates to such an Extent as to be Two and a Half per Cent. at one Time, and in a few Months afterwards runs up to Ten, Twelve, and even Fifteen per Cent. (Cases of which you stated that you believed had existed), to be a System destructive to the permanent Commercial Prosperity of any Country?
Fluctuation to the Extent alluded to, if occasioned by the Bank, is prejudicial; but the Extent to which a Fluctuation or Reduction of Interest may take place, unconnected with any Act by the Bank, when the Currency is upon the Increase and when the Money Market in London becomes superabundantly supplied, is at all Times uncertain.

922. Do you know any great Commercial Country where such Fluctuations take place?
I think the Rate of Interest fluctuates very much at Hamburg: not so much at Paris; but there is Fluctuation in every Commercial Country.

923. Hamburg has no Bank of Issue of any Kind?
No.

924. France has?
Yes.

925. But under its System of Issues the Bank of France has never had the Rate of Interest above Five per Cent., has it?
I believe not.

926. So that all the Manufactures and other industrial Pursuits of France have been going on with that equable State of the Interest of Money while our People have been exposed to the Position of having Money pressed upon them at Two and a Half per Cent. at one Time, and afterwards being in the Case of hardly being able to get it at any Price. Do not you consider that that contrasted State of Things between ourselves and our Rivals in manufacturing Industry must at last be fatal to us?
The Contrast between France and England, as regards the Rate of Interest in 1847, was very great, and I have no Doubt of the high Rates charged in England having been prejudicial. Prior to September 1844 the Bank never reduced the Rate of Interest below Four per Cent., but there were Occasions when the Value of Money for Discount of Bills was as low as Two and a Half per Cent. in the Money Market. I particularly allude to the Period of June and July 1832.

927. Was the Bank of France able to afford the same proportionate Amount of Accommodation to commence at its Rate of Five per Cent. that the Bank of England was?
I am not prepared to answer that Question.

928. Did not the Bank of France at that Time, although they did not make a greater Increase in the Rate of Interest than from Four to Five per Cent., alter the Rules with respect to the Echéance of Bills which they brought under Discount?
I am not acquainted with that Fact.

929. Did not they decline to discount Money Bills?
I was not informed of the Acts of the Bank of France. There is no Doubt that Money throughout 1847 was very much easier in France than in this Country.

930. From your Experience both as a Director of the Bank and as a Merchant, and being thoroughly acquainted with the Affairs of the Business of the City of London, do you or not consider that the present Law regulating the Conduct of the Bank, if it did not mainly occasion the Distress, tended very much to aggravate it during the last Year?
I think that it tended very much to aggravate the Distress, and that a greater Fluctuation in the Rate of Interest existed than would otherwise have been the Case. The Reduction in the Rate of Interest in the first instance appears to me to have been inexpedient, as tending to promote an undue Extension of Credit, and that the high Rates existing in 1847 were prejudicial to the general Trade of the Country.

931. You think that if we had lived during the last Year under the old Charter and under the old Management of the Bank of England, we should have got through the Difficulty of the Famine, and the consequent Demands upon our Resources, much more easily than we actually did?
If we had had the Power in April last, when the Reserve was reduced to Three Millions, to extend the Issue at a Rate of Interest not exceeding Five per Cent., I believe, with reference to the State of the Foreign Exchanges, we should have gone through the whole Year without any serious Infliction upon Commerce.

932. With respect to the Rate of Interest, does not the Bank, considering the Extent of its Circulation and of its Means, mainly govern the Rate of Interest in the Country?
The Bank's Rate of Interest materially influences the Rate of Interest in the Money Market. When the Exchanges are in favour of the Country, and the

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Currency is increasing, the Rate of Interest in the Money Market of London is below the Bank's Rate; when the Currency is contracted by the Exportation of Bullion, then the Rate of Interest is above the Rate charged by the Bank.

933. Therefore when the Currency is abundant the Circumstance of the Bank lowering the Rate of Interest to Two per Cent., or Two and a Half, is very injurious to all other Traders in Money?

I think it promotes an Extension of Credit without benefiting the Bank.

934. Did not the Bank of England continue to discount at Four per Cent. till the 9th of April 1847?

I think on the 9th of April they raised it to Five per Cent.

935. Did not the Bank of France raise its Discount to Five per Cent. in the Month of January?

I do not remember the exact Month, but I believe it was either in January or February.

936. But before the Bank of England had raised their Rate of Discount?

Yes.

937. How is the Rate of Interest regulated? Is there a general Meeting of the Directors convened in order to settle the Rate of Interest?

It is done by Order of the Court of Directors.

938. Have you weekly Meetings?

Yes. I believe during the last Pressure the Rate of Interest has been advanced, by the Authority of the Governor, prior to the Meeting of the Court, upon more Occasions than one, but never reduced except by the Authority of the Court of Directors.

939. Upon those Occasions that has been done under an Impression upon the Mind of the Governor that some Danger was apprehended from a Continuance of the Demand?

That the Demand was greater than the Bank could with Propriety supply.

940. And it has been thought prudent to check that Demand, not by limiting the Amount of Accommodation, but by putting a higher Price upon it in the Shape of Interest?

Certainly, except in the Month of April 1847.

941. What is your Opinion of that Principle of forcing a Reduction of the Demand for Capital by demanding a high Rate of Interest?

I think it is the only legitimate Mode, by raising its Value in the Time of an unfavourable Exchange, but which is not required in a Time of internal Discredit when the Exchanges are in favour of this Country.

942. Because in a Time of internal Discredit it is a Demand for Bank Notes unattended with any Danger of the Specie being called for for Exportation?

Certainly.

943. Is it not the Want of and Consequent Demand for pecuniary Accommodation, or, in other Words, for the Loan of Capital, a totally distinct thing from the Want of additional Means of Circulation, or, in other Words, the Want of Bank Notes?

The Demands are of a different Character. The Bank has no legitimate Power of limiting the Amount of Notes in Circulation. The Public will take what Notes they require, either by withdrawing a Portion of the Deposits held by the Bank, or by the increase of Bullion in the Issue Department.

944. Nor is it in their Power materially to increase the Circulation of Notes?

No.

945. Therefore the Want of Accommodation, or the Want of Aid of Capital, is a totally distinct thing from the Want of Notes for Circulation?

Certainly.

946. Does not the Act of 1844 point entirely, as the Regulator of the Bank's Conduct, to the Amount of its Issues?

Certainly, so far as they affect the Reserve in the Banking Department.

947. Without

947. Without reference to Deposits or Liabilities of any other Description?
A Reference to the Reserve in the Banking Department is that by which the Conduct of the Bank is or ought to be regulated.

948. It says that the Notes in circulation shall be in proportion, first of all, to the arbitrary Sum of Fourteen Millions, and then to the Amount of Bullion?
Yes, in the Issue Department.

949. Is not the Principle of the Bank being obliged to regulate its Accommodation to the Trade of the Country by the mere Circumstance of the Amount of Bank Notes a false Principle of Action, considering the Answer which you gave to a former Question; that in fact the Demond for pecuniary Accommodation, or for Loan of Capital, is a totally distinct Thing from the Demand for Currency; and that the Demand for Currency or Circulating Medium is the only Indicator pointed out by the Act of 1844 for the Conduct of the Bank?
The Bank can only regulate its Conduct by its Reserve. It is the Reserve by which they can afford Assistance to the Public, and by that alone. The Act points out how the Bank Note shall be supplied, and consequently the Bank have nothing to do with the Issue of Notes. The Bank have merely to look to their Reserve, and to judge how far they can accommodate the Public at any Period of Demand.

950. Looking at the Returns of the Bank as published, do you not see Instances when the Issue of Notes has been very small, and when, on the contrary, the Amount of Accommodation, or, in other Words, of Securities, has been very large, and Instances also of the reverse, when the Securities have occasionally been small, and when the Notes have been large, showing, therefore, that there is no necessary Proportion between the Amount of Notes issued and the Amount of Accommodation given?
In the Period of the Railway Deposits there was no Increase of Circulation, but a very large Increase of Securities, which arose from the large Increase of Deposits by the Notes paid into the Hands of the Bank in the first instance. The Amount of Notes in Circulation, and the Securities held by the Bank, have no necessary relative Proportions.

951. There are Two Periods mentioned by Mr. Fullarton in his Book on the Regulation of Currencies. On the Regulation of Currencies, he says, "On the 3d January 1837, when the Resources of the Bank were strained to the utmost to sustain Credit and meet the Difficulties of the Money Market, we find its Advances on Loan and Discount carried to the enormous Sum of 17,022,000 *l.*, an Amount scarcely known since the War, and almost equal to the entire aggregate Issues, which in the meanwhile remain unmoved at so low a Point as 17,076,000 *l.* On the other hand, we have on the 4th June 1833 a Circulation of 18,892,000 *l.*, with a Return of private Securities in hand nearly if not the very lowest on Record for the last Half Century, amounting to no more than 972,000 *l.*" Do you agree in that Statement?
I have only reference to the Averages. In the Quarter ending July 1833 the average of the Circulation was 18,225,000 *l.*, and the Securities, public and private, were 22,800,000 *l.*

952. What were the private Securities?
I am not able to answer without Reference. In 1846, during the Railway Deposits, there were Twenty Millions of Circulation with the Public, and Thirty-three Millions of Securities, part occasioned by investing the Railway Deposits; and there are at this Time Twenty-five Millions of Securities, and Nineteen Millions of Circulation.

953. Has not there been a considerable Reduction in the Circulation in the last Return?
There is about a Million Circulation less than there was in the Middle of 1847.

954. Is not there last Week a Reduction of about 600,000 *l.* or 700,000 *l.*
There is.

955. Do you include in the Circulation Bills of Exchange?
No; merely the Circulation of Notes with the Public.

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956. Is there any particular Cause for the Reduction in the Circulation taking place now?

It principally arises from the Reduction of Prices and Credit. Now 18,000,000 *l.* will answer the Purpose at the present Time, while 20,000,000 *l.* were required Twelve Months since.

957. Simultaneously with the Reduction in the Amount of Circulation, there has been a large Increase in the Amount of Bullion in the Bank?

Certainly.

958. Was not it one of the Objects of the Act of 1844 to secure and to maintain the Convertibility of the Bank Note?

Certainly.

959. For the Purpose of securing the Convertibility of the Bank Note is not it necessary that the Circulation and the Amount of Bullion should bear a certain Proportion to each other?

A fixed Proportion cannot be insured, but a Reduction in the Amount of Bullion below a fair Proportion of the Notes in Circulation cannot take place.

960. You assume that fair Proportion to be about One Third of the Circulation?

I think the Reduction cannot fall below that Proportion.

961. Is not the Principle of the Act of 1844 at variance with the Maintenance of a fixed Proportion between the Bullion and the Bank Notes, inasmuch as on one Side the Proportion is maintained a fixed Amount of 14,000,000 *l.*, and it is required that all the Issues over and above the 14,000,000 *l.* should be covered by Bullion? Does not that necessarily cause a constant Variation in the Proportion between the Bullion and the Bank Notes?

Certainly.

962. Supposing, therefore, there be an Amount of Bullion in the Bank to the Extent of 14,000,000 *l.*, and the Circulation may extend to 28,000,000 *l.*, you would then have the Bullion bearing to the Bank Notes the Proportion of One to Two?

Certainly.

963. But supposing from any Cause there were a great Reduction in the Amount of Bullion in the Bank, so that it fell down to 4,000,000 *l.* under the Operation of the Act of 1844, would it not be necessary to contract the Circulation of Bank Notes to 18,000,000 *l.*?

Certainly; but such a Decline, I believe, cannot take place under the Act of 1844.

964. With that Circulation of 18,000,000 *l.* would it not be necessary, according to your Principle, that the Bank should have in reserve a Sum of about 4,000,000 *l.*?

Yes.

965. Therefore the active Circulation of the Country in Bank Notes under those Circumstances would be reduced to 14,000,000 *l.* Would not that, in the first place, under any Circumstances, cause very serious Commercial Pressure?

I do not think it would be possible to reduce it to 14,000,000 *l.*

966. But supposing it were possible to reduce the total Amount down to 18,000,000 *l.*, the Reserve of the Bank being 4,000,000 *l.*, the Provisions of the Act of 1844 would have been complied with, and still the Reserve of 4,000,000 *l.* would only bear the Proportion, not of One to Three, but of One to Four and a Half. Consequently, at the same Time there would be a very severe Pressure upon the Circulation, and the Convertibility of the Note would not be secured?

If such a Reduction as that alluded to could happen, I still should consider that 4,000,000 *l.* of Bullion to be quite sufficient, in a Time of Credit, and a favourable Exchange, to convert 18,000,000 *l.*

967. But you stated that it would be impossible to reduce the Circulation to 14,000,000 *l.*?

I consider so.

968. And on the other hand it follows that it would be an unsafe thing, under the Act of 1844, that the Bullion should be reduced in point of fact much lower than 7,000,000*l.*?

I think you cannot, by the working of the Act of 1844, materially reduce the Bullion by Foreign demand, under ordinary Circumstances, below Nine Millions and a Half. It would then cause a Pressure upon Prices and Credit, which would occasion such an Advance in the Exchange with Foreign Countries as to increase the Import of Bullion, and to that Extent add to the Amount in the Issue Department.

969. Nevertheless are you not of opinion that there may be many Cases in which it might be not only safe but very expedient that the Bank should have the Power temporarily of diminishing the Amount of Bullion in its Vaults considerably below Nine Millions and a Half?

I think but for the Act of 1844 the Bullion might temporarily be reduced as low as 5,000,000*l.* without endangering the Convertibility of the Note against an internal Demand.

970. To what Extent do you conceive the 5,000,000*l.* of Bullion in the Bank, in Times of Credit even, would secure the Convertibility of the Bank Note; what Amount of Bank Notes do you conceive that 5,000,000*l.* of Bullion in the Bank would secure?

Any Amount that we hitherto have known, which, I think, has not exceeded 21,000,000*l.*

971. But is it not the Case, that under the Operation of the Act of 1844 a Reduction of 5,000,000*l.* of Bullion would necessitate a Contraction of the Currency to the Amount of 19,000,000*l.*?

I do not think that Contraction could take place under the Act of 1844, under an ordinary State of Prices and Credit.

972. Are you not authorized under the Act to have a Circulation of 14,000,000*l.* plus the Amount of Bullion in the Bank?

Certainly.

973. Therefore if your Amount of Bullion in the Bank fell to 5,000,000*l.*, then the Operation of the Act of 1844 would render Contraction necessary?

I submit that the Contraction would take effect so rapidly before that Period that the Bullion never could be reduced to 5,000,000*l.*

974. Without producing great Distress upon Commerce?

Most violent Distress to the Public. Assuming a fair State of Credit to exist, when the Amount of Bullion declines to Nine Millions and a Half or near that Amount, the Reserve of the Bank would not admit of further Accommodation being given to the Public; consequently that State of the Circulation would, if the Foreign Demand for Bullion continued, so increase the Value of Money as to raise the Foreign Exchanges and stop the further Export.

975. Have not the Fluctuations in the Currency practically since the passing of the Act of 1844 been in constant and exact Conformity with the Fluctuations in the Amount of Bullion in the Issue Department?

According to the published Account of the Issue Department the aggregate Amount of the Bank Notes varies in their Publication with the Reduction of Bullion.

976. There has been at no Time any Doubt of the Convertibility of the Paper issued?

Certainly not.

977. Was there never any doubt previously to the passing of the Act of 1844?

Never, but upon One of the Two Occasions to which I have alluded in my former Answers, which were Cases of a very peculiar Character. I think, under the former Law, for Twenty Years, except in the Year 1839, the Country was perfectly secure in the Convertibility of the Note.

978. But you do consider that in those two Cases the Convertibility of the Notes into Bullion was in danger?

Certainly, as respects the Year 1839. If this Law had existed prior to 1837

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the State of the Bank, as exhibited upon those Two Occasions, could not have occurred.

979. Those Cases were not Cases of such strong Pressure upon the general Commercial Community as that which existed upon the late Occasion?

They were not Cases of any material Pressure. The one was a Case of internal Demand to uphold the Credit of the Houses engaged in the American Trade; the other was a Discredit of the Bank itself.

980. You allude to 1837 and 1839?

Yes.

981. You stated that in 1837 and 1839 the Discredit of the Bank of England would not have occurred if the Act of 1844 had been in operation, but that the Consequence would have been the Failure of a large number of American Houses to which the Bank, not being restrained by the Act of 1844, were enabled to give Accommodation, and thereby to save them?

It was only in 1839 that the Circulation of the Bank sustained any Discredit. In 1837 the Credit of the Currency was preserved, but had the Act of 1844 then been in operation the American Houses, or the major Part of them, must have fallen.

982. Exposing itself to Risk thereby?

I do not think there was much Risk attending the Bank of England by the Accommodation they gave in 1837. It was very large Accommodation, but the Bank had, upon the whole, good Security.

983. You mean security for the ultimate Realization of the Advance?

Yes.

984. The Result justified your Expectation, and those Securities were realized?

Yes, with the Exception of a Loss sustained to the Extent alluded to in my former Answer.

985. You stated that under the Act of 1844 the Proportion you have of Silver to Gold must be only One Fourth Part of the Gold, or One Fifth Part of the whole Amount of Bullion; do you think there is any Inconvenience arising from that Regulation?

I think there is a material Inconvenience attending that Regulation.

986. Will you have the goodness to state what that Inconvenience is?

Silver being equally available for Continental Payment as Gold, and perhaps more so, it is desirable that the Bank should not be restricted to the Extent alluded to in the Purchase of that Description of Bullion, which is always marketable, and which answers every Purpose of correcting the Foreign Exchanges.

987. Would not an increased Power of holding Silver Bullion in proportion to Gold tend to diminish any Danger of a sudden Change of the Foreign Exchanges?

It does not diminish any Danger from a Change in the Foreign Exchanges, further than as it affords a convenient Mode to the Bank of rectifying them. It gives them the Power over an Article which is marketable, and which, being the Currency of the whole Continent, affords an equal Facility with Gold in making the Foreign Payment.

988. Was there not in the Year 1832 a considerable Operation effected by the Bank of England in the Export of Silver Coin to France?

The Export was in Bar Silver; the Coin was melted into Bars, and then exported.

989. If the Bank had been able to hold at that period any considerable Quantity of Silver Bullion, would there not have been a Loss escaped which was incurred by the Operation in 1832?

At that Period there was no Limitation to the Bank holding any Quantity of Silver Bullion.

990. Will

990. Will you have the goodness to explain the Proceeding in the Year 1832, and state whether there was any Loss sustained in consequence of the Difference in the Value of the coined Silver and of Silver in Bars?
The Loss then sustained has been very often pressed upon the Government. I think it amounted to 60,000*l.* or 70,000*l.*

991. What did that arise from?
The Silver Coin of England is depreciated by a Seignorage of near Ten per Cent., which occasioned the Loss referred to when melted into Bars.

992. At the present Moment you have a Limitation with respect to the Quantity of Silver that you hold, but if you wanted more Silver for the Purpose of acting upon the Foreign Exchanges, could not you buy it in the Market?
The Bank could only purchase Silver when the Exchange was in favour of the Country, for the Object of Sale when the Foreign Exchanges became unfavourable.

993. It has been often suggested, that the Bank have no greater Difficulty in getting the Silver out of the Market generally than they would have by keeping it in their Vaults, where it would be always available; will you explain the difference between the State of the Bank in relation to a large Deposit of Silver in their Vaults, and the Case of their having to go into the Market to purchase it?
Silver never remains permanently in the Market.

994. Therefore, at a time when you might want it for the Adjustment of the Foreign Exchanges, you might find it extremely difficult to procure it in the Market?
The Bank never can purchase Silver by an Issue of Notes in Times of an unfavourable Foreign Exchange; Silver can only be purchased when the Exchanges are in favour of this Country.

995. And it is at a Time when the Exchange is against us that we require the Use of Silver for the purpose of correcting the Foreign Exchanges?
Yes.

996. Therefore, under the Limitation that you are now subject to, you have not the Command of Silver to an Extent that you require at a Time when Silver would be required for an Action upon the Foreign Exchanges?
We are precluded from having more than a given Quantity of Silver, which can be only purchased when the Exchanges are in our Favour.

997. Are you actually precluded from purchasing it, or is it that you are precluded from having more than a given Proportion of Silver to a given Proportion of Gold, as an Equivalent for your Issue of Notes?
If the Bank chose to purchase Silver, and hold it in the Banking Department, that might be done, but the Bank has no Motive for so acting.

998. Does this Restriction on the Bank with respect to holding Silver render you more liable to a Diminution of your Gold by the Excess of your Notes beyond 14,000,000*l.*? Would a Foreign Demand act upon your Deposits in your Vaults so as to necessitate a Contraction of your Issues sooner than would be the Case if you had a Quantity of Silver in your Vaults?
No; Gold and Silver are equal in their Power of correcting the Foreign Exchanges.

999. What was the Object of the Regulation restricting the Bank as to the Amount of Silver to One Fifth?
I cannot answer that question.

1000. Do you think that a Repeal of that Part of the Enactment would tend to make you less liable to any sudden internal Panic?
—I think that the Power to hold a larger Amount of Silver would afford greater Convenience in correcting an unfavourable Exchange.

1001. Will you explain what you mean by "Convenience?" Do you mean greater Facility, or merely a more convenient Mode of doing it?
It affords a marketable Commodity at all Times saleable, thereby preventing

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the Export of Gold. Whenever a Foreign Payment is required to be made, it can be effected by the Sale of Silver, and thereby prevent the Export of Gold, which it may be desirable to retain for the Maintenance of our own country.

1002. Would not that prevent the Contraction of the Circulation which would otherwise take place?

It would rather promote it at an earlier Period. If any Contraction is to be effected in the Circulation the Sale of Silver would effect that Contraction in the same manner as the Export of Gold.

1003. You are at present obliged to regulate the Foreign Exchanges by the Sale of Gold. If you had the Power of affecting those Foreign Exchanges by the Sale of Silver as well as Gold, would there be less Risk of frequent Contractions of the Circulation?

I think not. The only Object in holding a considerable Amount of the Bullion in Silver is to facilitate making the Foreign Payment so long as the Exchanges are against the Country.

1004. In truth, Silver is not the only Commodity with which you might act upon the Exchanges; but it is a Commodity which, being Money in every other Part of the World, is therefore the most direct Commodity which you can possibly have for the Purpose?

Except as regards the United States. The United States latterly have taken Gold alone.

1005. Though they take Gold alone is not Silver also a legal Tender? Have they not in fact the old Standard of this Country, a double Standard, but regulated in a Manner which makes it more favourable for the Trader to pay in Gold than in Silver?

Yes.

1006. Although Silver may be a more convenient Medium for Exchange as respects its being the Coin of so many other Countries, is not, on the other hand, the Bulk of Silver, as compared with Gold, an Inconvenience in effecting the Interchange of the precious Metals?

I think not. It is so easy of Transport to the Continent that there is no Inconvenience of the Kind alluded to.

1007. You have stated that the Bank up to the Year 1844 had never lowered their Rate of Interest below Four per Cent. Since when is it that you have advanced your Interest above Five per Cent.?

It was advanced to Six per Cent. between September and December 1839. The Rate was reduced again in February 1840 to Five per Cent.

1008. Up to the Period you have stated, when you first departed from the Maximum of Five per Cent., your Rate of Interest only varied between the Minimum of Four and the Maximum of Five per Cent.?

Yes.

1009. Seeing that in former Periods of great Distress, such as in the Year 1825, a tolerably uniform Rate of Interest was maintained, do you not consider that the extreme Amount of Interest which has been extorted from needy and distressed Persons during the last Year has been a great Aggravation of their Difficulties?

It appears to me that the high Rate of Interest has been a great Aggravation of their Difficulties. But it is to be remembered that in 1825 the Usury Laws were not then repealed.

1010. But the present Question is, whether the Bank, by the Regulation of its own Conduct, could not and should not keep its Rate of Interest within the Limit of Five per Cent. Do you think that the Practice of exceeding Five per Cent. in the Way that has been done is beneficial to the general Commercial Interests of the Country?

It has always appeared to me inexpedient for the Bank to reduce the Rate of Interest at any Time below Four per Cent. The Advance of the Rate of Interest must depend upon the State of the Foreign Exchanges.

1011. Do you think that in the last Year the Advance in the Rate of Interest from Five to Six, Eight, and Nine and a Half per Cent. was a proper and prudent Course on the Part of the Bank of England?

I do not think that it was required subsequent to April 1847. When the Exchanges were in favour of this Country the high Rate of Interest charged was, in my Judgment, unnecessary.

1012. You think it is only in the Case of your being threatened with a Demand for Gold for Foreign Export that the Check of a high Rate of Interest is justifiable?

That is my Opinion.

1013. You are of opinion, therefore, that since the Month of April 1847 all the subsequent high Rates of Interest were injudicious on the Part of the Bank?

As the Foreign Exchanges were in favour of the Country during that Period the high Rates of Interest were, in my Opinion, prejudicial.

1014. Do you think that if, from Panic or Speculation, or any other Cause, a great Demand for Money for immediate Convenience arises, it is in the Power of the Bank by keeping down their own Rate of Interest, to affect the general Rate of Interest throughout the Country?

I think that a great Demand would not exist longer than the Panic existed; and that Panic could be relieved by an increased Issue of Bank of England Notes at the current Rate of Interest, which would not be likely to exceed Five per Cent. per Annum.

1015. The Question is, assuming the Panic to continue, or the Cause in operation to continue, for a certain Time, do you think that the mere Circumstance of the Bank determining not to exceed a certain Rate of Interest would be the Means of keeping down the general Rate of Interest throughout the Country in Transactions between other Parties?

In Times of Difficulty the Rate of Interest charged by the Bank will mainly regulate the Rate charged in the Money Market. Provided the Bank advanced Money at the current Rate of Interest, it would prevent any other Parties demanding higher Rates for similar Description of Securities.

1016. Do you think they could be enabled, where there were Parties independent of the Bank prepared to pay a higher Rate of Interest, and others to lend at a higher Rate, to carry on their Operations so far as to fill up the whole Demand themselves?

I think not, provided the Bank be at the same Time granting Accommodation by Discounts. Such Securities as are not receivable at the Bank may bear a higher Rate of Interest, and be discountable by Parties willing to advance their Money upon the same, but such Accommodation will not interfere with that afforded by the Bank.

1017. Referring to the Pressures of former Times in 1837 and 1839, or going back to 1825 when the Bank acted upon the old Principle of the Maximum of Interest of Five per Cent., do you think that if the Bank had then run Riot in the Amount of Interest they charged up to Nine and a Half per Cent., and if, consequent upon that, the Market Rate of Interest had run up as high as Fifteen per Cent., the Country would then have been benefited by such a Course?

I think the Commercial Interests of the Country would have been very much prejudiced by such extravagant Rates of Interest.

1018. Then are the Committee to understand that it is your Opinion that in Cases of Pressure, unaccompanied by a State of the Exchanges which draws the Bullion from you, it is not expedient for the Bank to exceed the old Rate of Interest, Five per Cent.?

Certainly.

1019. If the Bank had not raised its Interest above Five per Cent., would it have been able to discount even all the First-class Bills presented to it?

Not with a Reserve of 3,000,000*l.*

 1020. Without

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1020. Without the Act of 1844?
I believe that there would have been no Difficulty in meeting such a Demand.

1021. Under such circumstances are not mercantile Houses willing and desirous to borrow money at a high Rate of Interest for temporary Accommodation?
Certainly not, if they can get Money at a moderate Rate.

1022. You have said that if you had not raised the Rate of Interest you would not have been able to give Accommodation at all. Under those Circumstances would not mercantile Houses be willing and desirous to borrow Money at a high Rate of Interest for a short Time?
I am not aware of having made such a Statement, but there is no doubt that, under the Act of 1844, in the Position in which the Bank was placed in October, there was no Rate of Interest which the Bank could have charged to Houses of Credit which they would not have been willing to pay to carry on their Payments.

1023. Previously to the Act of 1844 was there no Limitation to the Accommodation which the Bank was able to afford?
Not in Times like those in the Autumn of 1847. When the Exchanges were in favour of the Country, and positive Panic and Alarm existed through the Country, there was no Limit put upon the Issue, by which alone that State of Distress could be relieved.

1024. There was no Limit which the Bank was prepared to impose upon itself with respect to the Amount of Accommodation which they would have given?
Not that I am aware of.

1025. Would not the whole of your Argument apply to a Rate of Three per Cent. as well as Five per Cent., because, according to your View, it is a mere Question for the Discretion of the Directors?
It depends upon the current Rate of Interest at the Time. If the current Rate of Interest be Five per Cent., there would be no just Cause for advancing it. If the current Rate of Interest be Three per Cent., Three per Cent. might be the Rate charged; but such a low Rate cannot be contemplated to exist in Time of Panic. If the current Rate of Interest be Five per Cent., the Bank could never pretend to lend Money at Three per Cent.

1026. If the current Rate of Interest out of Doors is Seven per Cent., why should they pretend to lend at Five?
The Bank in such a Case would not pretend to lend Money at Five per Cent.; but my Belief is, that such a Rate of Interest would not exist, unless it was occasioned by an approximating Rate charged by the Bank at that Period.

1027. Might not that apply to Three per Cent. as well? If the Bank would discount to any Amount good Paper at Three per Cent., of course no good Paper would be offered in the Market where Five would be required?
If the Bank fixes a Rate for their Discounts at Three per Cent., the Rate out of Doors could not continue at Five per Cent.; and if the Rate of Interest so continued materially below its relative Value in other Countries, it would tend to create an unfavourable Foreign Exchange, and consequently a Contraction of the Currency by an Export of Specie.

1028. Might not that Argument apply to Five per Cent., inasmuch as the Rate of Interest in other Countries might be higher or lower than Five as well as Three?
In such Case the Bank would probably find it necessary to raise the Rate of Interest. If the Rate of Interest is materially lower here than in other Countries, the Probability is that the Exchange will fall, and with the Fall of the Exchange the Rate of Interest must rise.

1029. Are not those Principles general Principles, which would apply to any Rate of Interest, be it Five or be it Three?
They undoubtedly are general Principles, but not always applicable to the great Distinction which I wish to draw between the Action of the Rate of Interest

Interest upon a Foreign Demand and an Advance in the Rate for the Object of checking a Demand upon the Bank during a Period of internal Discredit.

1030. The Bank have lately been in the habit of dealing to a considerable Extent in Stocks—buying and selling Stocks?

Not dealing. I think the last Three or Four Years they have held a considerable Amount of Stock.

1031. Is not that a novel Practice on the Part of the Bank of England?

They have latterly held Stock instead of Exchequer Bills.

1032. In your Evidence in the Year 1840 you stated that you thought that the lending Money by the Bank even upon Stock might be liable to Abuse. If that be the Case, does it not follow, considering the Influence which the Bank has (as explained by you) upon the Value of Money out of Doors, considering also consequently that every Alteration in the Discounts of the Bank must have its Effect upon the Price of Stocks, that the buying and selling Public Stock by the Bank is open to great Abuse?

I do not think the Bank of England have bought or sold Stock for the Purpose of dealing in it. They have bought Stock for Investment. They only hold a certain Portion of the Funds at their Command in Stock in preference to Investments in Exchequer Bills or similar Securities, and therefore if it be done judiciously I do not see any Objection to that Mode of Investment.

1033. That Investment takes place generally at Times when you are in a full State of Currency with an Abundance of Money?

I think such generally is the Case.

1034. It appears, by the Returns before the Committee of your Purchases and Sales, that your Sales, on the contrary, have been at Periods when you thought it prudent to relieve yourselves in respect of the Demands upon you for Money by the Sale of your Stock?

Yes.

1035. Must not that be a very bad Operation on the Part of the Bank to be buying in Periods of great Abundance, and then selling out in Periods of Distress; and does not it appear from the Returns before the Committee that such has been the Case, that there has been a considerable Loss upon the buying and selling Stock?

I do not believe there has been any material Loss; but I would rather decline answering that Question without Reference to the Account. I do not, however, believe that there has been any material Loss.

1036. Are you not aware that during the last Year the Three per Cents. fell from something like Eighty-nine down to Seventy-nine?

I do not believe that the Bank sold any Stock, except a very small Amount, under Ninety or Ninety-one.

1037. Do not you think, considering the Influence of the Action of the Bank upon the Value of Money out of Doors, and consequently the Influence of the Action of the Bank upon the Price of Stock, that the Bank becoming the Buyers and Sellers of Stock is an Operation open to considerable Abuse?

I do not think it is open to Abuse, provided there be a due Regard to the Amount of Securities which the Bank may be entitled to hold.

1038. The Question does not refer to Abuse as respects the Condition of the Bank, but as respects what may be called Stock Jobbing, through the Bank influencing by its own Action the Price of Stocks which it is dealing in?

I do not think its Purchases or Sales have any material Effect upon the Stock Market.

1039. Though it might not affect the Stock Market, still it might be open to much Abuse, but you do not think it is?

No.

1040. You said that it is of late Years that you have adopted the Plan of buying Stock in lieu of Exchequer Bills; has not there been a considerable Difference

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Difference of late Years in the Usage of the Bank with respect to holding Exchequer Bills as Security?

I think they have held a less Amount lately than they formerly did.

1041. There is a Return before the Committee which shows the Amount purchased and sold by the Bank, and it appears by that Return that in the Years 1844, 1845, and 1846 there were no Exchequer Bills purchased on the Part of the Bank, and only a small Amount at other Times. Will you state the Circumstances which, in your Judgment, have disposed the Bank to change their System in this respect?

I believe the Cause arose from a Desire to hold Stock instead of Exchequer Bills, from the Facility afforded to borrow upon Stock for limited Periods when the Bank may wish to obtain Bank Notes to increase the Reserve.

1042. Do you not desire that the Species of Security you hold should be as far as possible available in your Hands, and easily convertible?

Certainly.

1043. Did you not find considerable Difficulty, for instance in the Year 1839, in respect to your Dead Weight Annuity, from its Inconvertibility?

I always entertained the Opinion that there was no Necessity on the Part of the Bank for attempting to convert the Dead Weight.

1044. There was an Attempt made, and it was ineffectual, was it not?

There was an Offer made, but the Bank did not think fit to accept the Price.

1045. Did you not then proceed to pledge the Dead Weight in order to enable you to effect your Operation in France at that Time?

That was the Mode in which the Operation upon France was carried out.

1046. Did the Bank, when it adopted the Practice of substituting the holding of Stock for Exchequer Bills, do so upon the Ground that you found Stock more handy upon such Occasions than Exchequer Bills?

Yes.

1047. Are there any Circumstances which, in your Judgment, have led to an Alteration in the Value of Exchequer Bills as a convertible Commodity? Was there formerly a different Usage with respect to London Bankers, for instance, in holding Exchequer Bills?

I am not aware whether any Change of that Kind has been made.

1048. Are you aware whether the London Bankers hold their Balances so much in Exchequer Bills as they were accustomed to hold them formerly?

I am not informed whether or not they hold Exchequer Bills to any great Extent. I believe they prefer and have been accustomed to leave Money at Call in the Hands of the great Bill Brokers.

1049. Is not that a modern Practice?

I believe that it has existed for several Years past with the Bankers in the City. I have understood that the Bankers at the West End of the Town are more accustomed to hold Exchequer Bills.

1050. Attaching Importance as you do to the Convertibility of your Securities upon Occasion, will you explain the Fact that, contemporaneously with the Abandonment of your Investment in Exchequer Bills, there was an Investment of 2,400,000*l.* by the Bank of England in Railway Debentures between April 1842 and August 1846?

I cannot answer that Inquiry further than that the Investment referred to was one which the Bank thought to be desirable.

1051. Do you think that Railway Debentures were more easily convertible than Exchequer Bills?

Certainly not.

1052. But the Rate of Interest they bore was considerably higher?

It was higher, undoubtedly.

1053. Then

1053. Then should you attribute the Substitution to a certain Extent of Railway Securities for Exchequer Bills to the Difference of Interest which induced the Bank, for the Purpose of keeping up its commercial Profits, to deal in the Securities which afforded the largest Return?

The Bank always being provided with an adequate Amount of convertible Securities, is considered to be at liberty to judge what Amount it may be deemed to be most advantageous to hold of others.

1054. Do you approve of the Advance which the Bank made upon the Mortgages of Landed Estates?

I see no Objection to the Extent to which that Advance was made. I think it extended at one Period to a Million and a Half.

1055. And, on the same Principle, do you think it was defensible to have made the Investments referred to in Railway Securities?

I do.

1056. It appears that the last Purchase of Railway Securities which was made by the Bank was on the 10th of August 1846. Now were the Exchanges of the Country favourable at that Period, or had an unfavourable Turn commenced?

I do not think that any unfavourable Exchange requiring Notice took place prior to December 1846 or January 1847.

1057. You state that you think the West End Bankers are more in the habit than other Bankers of holding Exchequer Bills; do not you think that the Forgeries of Exchequer Bills a few Years ago may be the Reason why many of the West End Bankers no longer hold those Securities?

I think not. At least I never heard such a Reason given.

1058. You stated that your Opinion was that the Investments in Railways had had no serious Influence in causing the Distress of last Year?

I do not believe that they had.

1059. Are you aware that about 75,000,000*l.* was invested in Railways in the Years 1846 and 1847?

I am not informed as to the Amount actually invested.

1060. Do you think it possible that any such Amount of Capital could be invested in what was for some Time an unprofitable Investment without having any Effect upon the Money Market of the Country?

It is a very difficult Question to answer, and one of a speculative Character. The Investment in Railways appears to have affected the Value of other Kinds of fixed Capital, such as Insurance Stocks, Canal Stocks, and Property of that Nature. It likewise may have affected, to a certain Degree, a Portion of the trading Community, who may have been forced to abstract from their commercial Capital Part of their Funds to pay up Railway Calls. Still I do not believe that it has been the Cause of any material Mischief to the present Time. It has principally raised the Value of Money invested in Railway Debentures and Stocks, which has tended to increase the Difficulties of the Directors in raising the Money which they require to carry on their Works.

1061. In the Year 1847 there were about 14,000,000*l.* of Money spent in the Purchase of Foreign Corn; as a considerable Portion of that Money was laid out latterly at a Loss, do not you think that that must have had a considerable Effect also upon the Money Market of the Country?

It has had no material Effect upon the present Value of Money, though it has caused great Loss to many of those Persons who have been concerned in the Import.

1062. If there were 75,000,000*l.* invested in Railways, and 14,000,000*l.* in Foreign Corn, Part of the Corn Speculation having caused a Loss, and a very great Proportion of the Railway Speculation being up to the present Period unprofitable, do you think that any Country ever existed in the World that could in Two Years expend 90,000,000*l.* of Money unprofitably, without that having a very serious Effect upon the realized Capital of the Country?

It has probably for a Time very much reduced the Value of the realized Capital, but to what Extent I do not feel competent to answer. Whatever that

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Reduction in Value may have been, I do not believe that it has had any thing like the Effect which the Public have been disposed to attribute to it.

1063. In 1845 and 1846, which was the great Time of the Railway Speculation, the Interest of Money was not above Three or Three and a Half per Cent., was it?

I believe that during the principal Part of the Year 1845 it was under Three per Cent.

1064. Does it not show that for Commercial Purposes there was not a great Demand for Capital at that Time?

I do not know how a low Rate of Interest shows a diminished Demand for Commercial Capital.

1065. Or rather the Railways have not created a Scarcity of Capital in those Years?

The Railways found much greater Facility in raising their Money when the Commercial Market Rate was One and a Half or Two per Cent. than they have subsequently.

1066. Do you think that in those Years the Money which was lent to them would otherwise have been employed in Commerce?

I do not think that any very large Amount of the Commercial Capital of London has been withdrawn, and placed in Railways, though it is probable that some Amount of the trading Capital of the North of England may have been invested in such Securities, which may have caused some Inconvenience to the Persons so interested; but I do not think that it has been to such an Extent as to have been materially prejudicial.

1067. When the Rate of Interest was so exceedingly low, if there had not been these Investments, do not you think that the Money would have got into Foreign Investments as was the Case in 1835 and 1836?

It is very probable.

1068. So that it has had that Good, at all events, that it led People to invest their Capital at home which might have gone into Foreign Railways, Foreign Mines, and other Speculations?

The Speculation has been undoubtedly entirely at home.

1069. And therefore it has been more advantageous to the Country than it would have been if it had been sent abroad?

Less detrimental, undoubtedly.

1070. Do not you think that the Inconvenience which has been felt is partly owing to the excessive Expenditure of the Railway Companies in this Way: that after they had got the Money, which they could raise from their Shareholders the Competition between the great Railway Companies for Money raised the Rate of Interest very much in the Market?

It is probable that such Competition has tended to advance the Rate of Interest which has taken place in both Railway Debentures and Stock, but I do not think that it has pressed materially upon the Commercial Money Market.

1071. Of course the Money so lent was not available for other Purposes?

No. Debentures, when purchased, were extremely difficult of Sale. In the Autumn of 1847 it was in fact nearly impossible to convert them in the Market.

1072. Without encumbering the Question with the Details of the former Questions, are the Committee to understand that it is your Opinion that the Separation of the Bank into Two Departments, the Issuing and the Banking, and the Form in which the Restriction is placed by the Act of 1844 upon the Issues of the Bank, are or not prejudicial to the Commerce and proper Circulation of the Country.

I am of opinion the Publication of the Accounts in the Form prescribed by the Act of 1844 in the Issue Department and the Banking Department is not desirable. The latter tends to alarm the Public Mind in Times of Diminution of the Currency, and so far is extremely prejudicial.

1073. The

1073. The Question is not so much as to your Opinion with regard to the Publication of the Accounts (which, however, is very important), but the Question is, whether you are of opinion that the Separation of the Bank into Two Departments, and the particular Restriction put upon the Issues of the Bank, are well judged for the Benefit of the Commerce and Circulation of the Country?
As regards the Separation of the actual Matters of Account, I think whether the Accounts be kept as a whole or in the Two separate Departments is immaterial; but the Restriction at all Times and under all Circumstances is one which appears to me to be most objectionable.

1074. Should you object to the Issue of One Pound Notes by the Bank of England?
I think it better, as the Circulation now exists, to maintain it in Gold; but I know no Objection to the Circulation of One Pound Notes by the Bank of England, except from their Liability to being extensively forged.

1075. Do you think it would be a much cheaper Circulation if it possessed equal Credit?
There is a very heavy Expense attending a One Pound Note Circulation; but, so far as regards the intrinsic Value of Coin, Paper would be a cheaper Description of Circulation.

1076. Do you think that it is not a cheaper Circulation than Gold?
Probably it is. There is, however, a considerable Expense attendant upon the coining and Wear and Tear of Gold Coin; then again there is the Expense attendant upon the Paper Issue, Forgery, &c. In short, taking all Matters into Consideration, I do not think there will be any material Advantage by a Change.

1077. Would it not have the Effect of diminishing the Demand for Gold in the Country?
For internal Circulation it would.

1078. Would not that be rather an Advantage?
As saving the Use of so much Gold, but in no other respect.

1079. You are aware that in Scotland the Circulation is generally in One Pound Notes?
Yes.

1080. Do you think that no Advantage arises from it?
No other than saving the Use of Gold. There may be some Profit to the Bankers who issue them.

1081. How do you account for Scotland having been comparatively free from the Panics under which we have been suffering here?
I suppose the Scotch Banks in general by their Management may have warded off a Portion of the Distress which the whole Country has sustained.

1082. Is it not the fact that they do not appear to have suffered from the different Panics which have affected the Circulation in England?
The Credit of the Circulation in England has not been affected, as I have already said (with One Exception).

1083. And they have had the Effect of preventing any Panic in that Country?
The Public in Scotland do not appear to have suffered so much as in other Parts of the Kingdom.

1084. Then would not such a Circulation, properly managed, in this Country, probably have the same Effect?
I do not attribute it to the Character of their Circulation.

1085. Do you attribute the Panics very much to the Mismanagement of the Banks in this Country, including the Bank of England?
No, I do not attribute it to the Mismanagement of the Banks, or of the Bank of England. I do not know any Ground for charging either the one or the other with Mismanagement.

 1086. Then

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1086. Then how do you account for the Difference between the Two Countries?

I do not believe that the Banks here have promoted the Discredit any more than the Bankers of Scotland.

1087. Scotland during the Time of these great Panics appears not to have suffered at all comparatively, while England has suffered very greatly; can you account for that Difference?

I cannot explain the Cause of the Difference further than by referring to my former Answers.

1088. Can you conceive any Alteration in the Banking System of this Country which would prevent a total or partial Failure of the Harvest being attended with a severe Pressure upon the mercantile Community?

There will generally be a Pressure in the first Year of an Import of Grain, but to what Extent is and always must be uncertain.

1089. Can you conceive any Alteration in the Banking System of this Country which would prevent the Effect of over-trading and rash Speculation?

No.

1090. Are you of opinion that great over-trading has taken place during the last Year?

Certainly not.

1091. Looking at the published Accounts of the Houses which have failed, are you prepared to say that they were conducted upon sound commercial Principles?

I think not. Speaking generally, however, I do not see that there is much Blame to be found with those Houses that have suspended. Some have undoubtedly been managed improvidently, and must sooner or later have fallen, without reference to any State of Pressure upon the Currency.

1092. Are you of opinion that many of the East India Houses have contributed to the recent Distress in consequence of their not having been conducted upon sound commercial Principles?

I think but few have fallen in consequence of over-trading.

The Witness is directed to withdraw.

Ordered, That this Committee be adjourned to To-morrow, Two o'Clock.

Die Martis, 22° Februarii 1848.

The LORD PRESIDENT in the Chair.

SAMUEL GURNEY Esquire is called in, and examined as follows :

1093. You have for many Years been engaged in Business in the City of London ?

Yes, I have, for many Years.

1094. Will you have the goodness to state what the Nature of your Business has been ?

My Business is usually denominated that of a Bill Broker, in fact a Dealer in Money, taking from those who have a Surplus and distributing it to those who require it.

1095. Does the Transaction of your Business afford you an Opportunity of becoming acquainted from Time to Time with the exact State of Trade, and the financial Resources of the Houses that are engaged in it ?

Its tendency is to lead to that Knowledge.

1096. Has it given you an Opportunity of forming any Opinion as to the Causes and the Extent of that Pressure upon commercial Transactions which is known to have occurred in the Month of April last, and subsequently to have been renewed in the Autumn ?

It has given me some Knowledge of the Causes of those and other Pressures.

1097. Will you be so good as to state to the Committee whether you have formed any Opinion as to the preceding Causes which led to that Pressure in both Instances ?

I have formed an Opinion as to the Causes of those Two Pressures and to their Effects.

1098. Will you be so good as to state that Opinion, accompanying it by any Explanation which you may think proper to give to the Committee ?

I was hardly prepared for so very general a Question, but perhaps it will not be unsuitable for me to read a Document which I have prepared, not for this Committee, but to concentrate my Ideas with reference to the Subject of the Question. The Crisis in April 1847 arose from several Causes. The Failure of the Potato Crop and Harvest in 1846, leading to an enormous Importation of Food coming upon an excited State of Price and Transaction, aided by the Bank canvassing for Discount and fomenting Transactions under the new Principle, that in the Banking Department they are to act on the same Principle as private Bankers, may be considered as the Causes of that Crisis. These led to an Extent of Demand upon the Bank for Discount and otherwise, the yielding to which led them beyond the Bounds of Prudence, seeing the early Payment of the Dividends was at hand. Under the Currency Act they found themselves under the Necessity suddenly of not only withdrawing their usual Accommodation by way of Discount, but of calling in with a severe and unrelenting Hand the Loans they had made upon the Security of Bills, Exchequer Bills, &c. The Suddenness and Severity of this Change was forced upon the Bank by the Currency Act. Had it not been for that, they would have spread over Months what they felt themselves compelled to do in a few Days, to the serious Derangement of the Money Market, and to much alarming Disaster. It is queried, Was this Crisis owing to the Currency Act ? I think it cannot be fairly laid to the Act only, but to the Causes before specified. It may however, with Truth be asserted, that the Force of it and the Evils of it were much aggravated by the Effect of this Act, in the Course of Action it forced upon the Bank.

1099. That was in April 1847 ?
Yes; the Bank doing in a few Days that which ought to have taken Months to accomplish; and if the same Process had been spread over a longer Period, it would, in my Opinion, have very materially lessened the Calamity and Difficulty which arose in the Month of April last.

1100. If the Bank had commenced sooner to put that Restraint upon themselves which you state in your Opinion would have been wholesome, would the Act of 1844 in that Case have had any mischievous Effect at that Time ?
I am of the Opinion that if the Bank had been governed with consummate Prudence, and commenced a restrictive System much earlier, the Difficulties which arose in April 1847 would have been mitigated.

1101. You consider, then, that the Operation of the Act became more mischievous, and contributed more to producing the Pressure, in consequence of the previous Conduct of the Bank in delaying to advert to the Situation in which they stood ?
I certainly am of opinion that had the Bank taken a restrictive Line some Months earlier the Pressure of 1847 would have been materially mitigated, and I do not know that it would have extended beyond that which it would have been right and natural for the Public to have to bear in case of a very deficient Harvest, when especially they had been perhaps a little too bold in their Transactions.

1102. Do you recollect the Amount of Interest charged by the Bank in June 1846 ?
Our Rate of Interest was Four per Cent. in June 1846.

1103. Did not the Bank lower their Rate of Interest in June or August 1846 ?
The Bank reduced their Rate to Three per Cent. in August 1846.

1104. And they retained that low Per-centage till January 1847 ?
Yes, the Bank Rate was Three per Cent. till January 1847.

1105. Was the Rate out of doors raised during the Months of September, October, November, or December 1846 ?
In October, November, and December 1846 the Bank Rate was Three per Cent., and the Market Rate was varying from Three per Cent. to Three and a Quarter.

1106. Do you think that if the Bank had raised their Rate of Interest during those Months it would in a great Measure have obviated the Calamity ?
I think that if they had raised their Rate of Interest, and at the same Time limited the Extent of their Accommodation, the Two together would have lessened the Calamity of April 1847.

1107. In what Degree do you consider that the Rate of Interest adopted by the Bank governs the general Rate of Interest in your Business and in all others ?
At the Time of a gradual Reduction in the Stock of Bullion in the Bank, or of an adverse Rate of Exchange, the Market Rate of Money is invariably somewhat beyond that of the Bank of England; and I might state the reverse in the reverse State of Things. In a favourable State of the Exchanges, when there is a gradual Accumulation of Bullion, we are necessarily and inevitably a little below the Bank.

1108. You are of Opinion that at a Period of Difficulty and Restriction the advancing the Rate of Interest on the Part of the Bank determines the Market Rate of Interest out of doors; that the Bank, in fact, governs the Rate of Interest ?
The Bank in a very material Degree does, in our Market, govern the Rate of Interest. I would not say that nothing else operates upon the Rate of Interest, but we fluctuate inevitably according as the Bank fluctuates.

1109. Whether the Exchanges are against or for us ?
Undoubtedly; but there are Periods when we fall very considerably below the Bank Rate, in which we are not entirely governed by the Bank Rate.

1110. You

1110. You have stated those Periods to be at Periods when Bullion is coming into the Country?
Then we are always below the Bank.

1111. On the contrary, when a Period of Pressure comes you are always above them?
In time of Pressure our Rate is above the Bank's.

1112. But you stated that the Bank Rate governs your Rate?
It does govern our Rates.

1113. From the Circumstance of the Bank being Lenders of a large Sum of Money, and having the Public as their Debtors to a large Amount, if they begin to restrict your Credit they force an Augmentation of the Rate of Interest both in the Bank and out of the Bank.
Clearly so.

1114. Therefore the very high Rate of Interest which prevailed during Periods of the Year 1847 you consider to have been mainly occasioned by the successive Advances of the Rates by the Bank?
In a great degree it is so; but the Circumstances that induced the Bank to raise the Rate of Interest would of themselves have forced up the Value of Money in the Market to a due Degree independently of any Proceeding of the Bank. In the Autumn of 1841 the Market Value of Money would have risen of itself to Six or Seven per Cent.; but by the artificial Proceeding of the Bank it was forced up to a Rate of from Eight to Ten.

1115. In point of fact what were the Causes operating to produce that very high Rate of Interest at one Period of the Year 1847?
The State of Things that produced the Catastrophe in April 1847 operated with redoubled Force in the Autumn. There had been a continued Decrease in the Stock of Bullion in the Bank, nearly to the Extent of 2,000,000 *l.* Sterling. The Causes before specified operated with increased Force on the State of the Currency. These led the Bank to raise their Rates to so high a Pitch, and our Rate of Interest followed in course.

1116. When you say that a Diminution in the Amount of the Reserve in the Bank and of the Bullion in the Bank occasions Scarcity, it only occasions Scarcity inasmuch as it obliges the Bank to diminish its Accommodation to the Public?
Clearly. But in answer to the previous Question I would go on to say that several Causes began to operate upon the rapid Rise in the Value of Money. (I am now speaking of August, October, and November.) The Failures began to take place in August. The Number of Failures in each Week was increased, and was at last followed by a considerable Panic. The Effect of that Panic was to cause very general Distrust, and a gradual running down of the Reserved Fund of the Bank as well as of the Bullion. After a little Time People began to think, under the Influence of this Panic, how are we to get circulating Medium? And the wealthy and more powerful took care very largely to over-provide themselves, and drew upon the Reserves of the Bank infinitely beyond the real Necessities of the Case. The Consequence was that the Amount of Notes in the Hands of the Public amounted to nearly 21,000,000 *l.*; and I have not the slightest Doubt that at that Period at least from Four to Five Millions Sterling of the Notes issued were locked up and inoperative, in consequence of the Alarm and of a Fear of not being able to get Bank Notes at all.

1117. Did not that Alarm arise from perceiving a Reduction of the Reserve of the Bank?
Clearly.

1118. And an Apprehension that the Bank would be brought into the Predicament of not being able to fulfil the Conditions of the Law of 1844?
Clearly. I may state, in illustration, that on the Saturday before the Monday on which the Letter was sent by the Government to the Bank authorizing Relaxation, our House was largely called upon for Money, I do not think from any Ground of Distrust, but from an extreme Doubt whether Bank Notes were to be had at all. We applied to the Bank for a Discount of

Bills to a large Amount, and were met with the greatest Liberality under the Circumstances, but we were informed we must be charged at Ten per Cent. I remonstrated with the Governor; and said that the very Circumstance of its being known that our House had paid Ten per Cent. for Money, would be a serious Disadvantage, quite beyond the simple Difference of the Cost in Money. The Money was supplied at Nine per Cent.

1119. What sort of Bills were those proposed to be discounted?
Of an undoubted quality.

1120. But having how long to run?
Short Periods; being limited to that. I suited their taste in all those respects. We required about 200,000*l.*, and had it at Nine per Cent. On the Monday Morning we had again a very heavy Demand upon us; and we applied to the Governor, and said, that to supply Lombard Street with what was wanted we should require 200,000 *l.* more. It was a Case of Difficulty for the Bank under its reduced Reserve, and under the Limitation of the Act. The Governor postponed a Decision on our Application to Two o'Clock. At One o'Clock, however, the Letter from the Government authorizing Relaxation was announced. The Effect was immediate. Those who had sent Notice for their Money in the Morning, sent us Word that they did not want it, that they only ordered Payment by way of Precaution. And after the Notice we only required about 100,000 *l.* instead of 200,000 *l.* From that Day we had a Market of comparative Ease. The Alarm lessened; and by the End of the Week we had to ask as a Favonr of the Bank to be allowed to repay the Money which we had borrowed of them.

1121. The first Transaction to which you referred was on the Saturday; were you aware at that time that the Bank had received a Communication from the Government to the Effect of that which was officially made known to them on the Monday, authorizing them to act as if they had received that Sanction officially?
No; we did not know any thing of the Kind. We were aware that a Deputation of Bankers had gone up to the Government, but we were not made acquainted with the Result of it. It was not at all known till the Monday.

1122. What would have been the Effect upon your Proceedings with the Bank on the Saturday if you had been in Possession of that Information?
If it had been known to ourselves only it would have had no Effect; but if it had been known to the Community we should have wanted only a small Portion of the Money, if any.

1123. Then the Effect of this high Rate of Interest and of the Government Letter was immediately to release a certain Part of that over Provision which some Parties were making, because Money immediately became what is called more easy?
Immediately; it was not Ten Minutes before a Difference was manifest. I cannot ascribe it to the raising the Rate of Interest to Nine or Ten per Cent., I ascribe it solely to the Government Letter of Relaxation.

1124. But the natural Result would be that Persons who had Money for which they could obtain Nine or Ten per Cent. would not hoard it except in a Case of extreme Panic?
In this, as in all Cases of Panic, we do not care about the Rate of Interest, or whether we lose or get 500 *l.*; the Object is solely to relieve ourselves and our Neighbours for the particular Time, without reference to the Profit or Loss.

1125. To get over the Crisis?
Yes. My Judgment is, that the Rate of Interest being raised to such an extravagant Extent is thought too much of, touching its bearing upon these Questions.

1126. The Feeling you allude to is one of extreme Panic?
Clearly so.

1127. You were understood to say that the Provision of Parties who hoarded Notes lasted up to November; was that so?
Yes. The Notes in the Hands of the Public in the latter End of October were

were Twenty-one Millions nearly; then, as the Alarm subsided, the Amount gradually sunk to Seventeen millions eight hundred thousand at the End of December. The Decline was gradual, showing that the Question of getting Ten per Cent. did not govern People in this Time of Alarm so much as is apprehended; the Alarm governed them.

1128. Does not it also show this, that whereas the Letter of the Government issued on the 25th of October suspended the Operation of the Act of 1844, the Panic went beyond the Consequences merely of that Act?
To say that the Panic arose only from that Act would be saying too much, but the severe Extent of the Panic was solely attributable to that Act.

1129. When did the Circulation begin to diminish?
The highest Amount was in the Return on the 4th of November, which applied to the previous Week in October. It then began to diminish, and it gradually diminished and continued to diminish till the End of the Year.

1130. Still the Effect of the Government Letter upon the public Mind could only go to the Amount of Three Millions as regarded the Reserve in the Bank?
It did not affect so much the Reserve of Notes in the Bank as it brought into operation the Amount of Notes already issued which had been hoarded.

1131. The first Operation of the Government's Interference was, that there was an Increase in the Circulation, because the increased Accommodation given sent forth a greater Number of Notes into Circulation; but when the Effect of that Interference came to be known the Bank's Reserve was then brought back again, and the Circulation was diminished by the Cessation of hoarding?
Such was the Case.

1132. When the Bank, upon your Application on the Saturday, gave the 200,000*l.*, did they give it to you in Bank Notes?
They gave us Credit for it, and we drew upon them for the Bank Notes.

1133. They give you Credit for it, and then it becomes a Deposit upon your Account, and you draw Cheques for it?
Yes, we do.

1134. It is not necessarily an Issue of Bank Notes?
Yes, it is. It would not do for us to pay Nine per Cent. for the Credit and then not use it.

1135. When you get 200,000*l.* from the Bank, the Bank do not give it to you in Bank Notes, but they put it to your Credit, in the same Way as if it was a Deposit by you at the Bank?
Just so.

1136. When a Customer in Lombard Street comes to you for Money, what do you do?
We give him a Cheque upon the Bank or upon our private Bankers.

1137. Does the Bank then necessarily issue that Amount in Bank Notes, or does not it remain as a Deposit on his Account in the Bank? Does it necessarily follow from any one of those Transactions, either on your Part or on the Part of your Customer to whom you give the Cheque you give upon the Bank, that any Notes whatever pass?
Practically speaking, the Payment is in Bank Notes, because we never apply to the Bank for Money except when there is a short Supply of Bank Notes in Lombard Street, and the Notes are actually wanted. We never do apply to the Bank when there is an adequate Amount of Notes in Lombard Street.

1138. Of the Millions that pass through Lombard Street or through your Circulation does not a very small Portion pass in Bank Notes? Are not the whole of the Operations in Lombard Street settled ultimately either by a Cheque on the Bank, or perhaps the Payment of the Balance in Bank Notes; in fact do Bank Notes pass for more than a Tenth or a Hundredth Part of the Transactions which take place?
A very large Proportion is settled by the Payment of a Balance in the Clearing House.

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1139. Do you suppose that the Banker to whom you pay in those 200,000 *l.* holds any very large Sum actually in Bank Notes, and shuts up with them in his Possession at Night?

Yes, certainly. When we apply to the Bank for Money it is because the Bankers are short of Bank Notes. The Cheque which we draw on the Bank and pay into our own Bankers or other Bankers is immediately turned into Notes.

1140. Do you conceive what you have stated to be the general Practice with the London Bankers?

It applies more particularly to ourselves and to Gentlemen in our Line of Business than to any others, because our House never does apply to the Bank for Money, except when Bank Notes are wanted in Lombard Street. While one Banker has a Surplus and another wants it, we adjust it between them. It is when there is a short Supply on the whole that we take Money from the Bank, and it immediately becomes diffused in Bank Notes in Lombard Street.

1141. You stated that on the Saturday when you went to the Governor of the Bank of England he asked you in the first place Ten per Cent. for the 200,000 *l.*; at the Time you went to him were you aware that he had had any Communication with the Government?

I was aware that a Deputation had been to the Government, and my Impression was that it had had a considerable Effect, but the Result had not reached the City, and we continued in consequence on that Saturday and on Monday Morning in a State of excessive Panic; we were in doubt whether the Bank Notes were to be had that were required to satisfy the Demand arising from the Panic.

1142. Do you think that if the Governor of the Bank had not had the Assurance that the Letter of the Government was to be issued upon the Monday you would have got the Accommodation even at Ten per Cent.?

I cannot answer that Question; but the wisest Man in this Country cannot tell the Consequences that would have arisen had our Application, and those of a similar Character, been refused.

1143. One Consequence might possibly have been that People who had hoarded Notes would, upon the Rate of Interest becoming very high, have parted with them?

I believe that is a mistaken View. The Result would have been that instead of bringing into Circulation the Four to Five Millions in Notes, lying inoperative in the Hands of Hoarders, the amount hoarded would have been largely added to, and the Panic much increased. The Temptation of a high Rate of Interest in a very small Degree only, if at all, neutralizes the Effect of Alarm.

1144. That is your Opinion of what would have been the probable Result?

That would have been the Result.

1145. But that Result would have arisen from the State of Panic?

Clearly.

1146. Not from the actual Absence of proper Materials for Circulation in the Country.

Certainly not. I have sometimes had the Remark made to me,—I have had it made to me by Two successive Chancellors of the Exchequer—"It is only "a Panic." It is only Panic! Now they might as well have said, "It is the "greatest Cause that can exist for deranging the Circulating Medium."

1147. But no Law that ever was enacted, or that One can imagine, can prevent the erroneous Impressions that arise in the Minds of Men?

No Law can prevent, but it may, and does, in the present Case, create and increase Alarm.

1148. Might not a Panic have existed in the same Degree with a purely Metallic Currency?

Certainly not, in my Opinion.

1149. Why

1149. Why not?
Because with a purely Metallic Currency this Country never would have arrived at the same mercantile Eminence. Our Transactions would have been altogether of a different and a more limited Character.

1150. Upon a more contracted Scale?
Upon a more contracted Scale.

1151. Being upon that contracted Scale, the Circulation would not have gone to that Extent, and consequently there would not have been Room for a Panic of that Kind?
Certainly not.

1152. You think that in a Country where the Circulation is purely metallic Credit could not be carried to the same advantageous Extent to which it has been carried in this Country?
Clearly not, where it is purely and solely metallic.

1153. Why not?
As I stated before, Transactions in every respect would be limited, mercantile Transactions especially, and consequently there would not be the same Ground for Panic.

1154. The Question did not refer to the Extent of Panic, but to the Extent of Credit, or the Extent of Transactions. Why could not that be as great with a Metallic Currency?
I think Experience shows that in Countries where the Circulating Medium is simply metallic, Transactions are on a very limited Scale, and neither Credit nor Transactions become extended.

1155. Practically speaking, has Credit in this Country between Man and Man diminished, as the Circulation has become one more approaching to a purely Metallic Currency than it was some Years ago?
Certainly not; because our Circulating Medium has been practically Paper, though based properly on a Metallic Basis. We do not actually pay in Sovereigns.

1156. Have not the additional Securities which have been taken within the last Twenty or Twenty-five Years to ensure the Convertibility of the Bank Note tended to render our Circulation more similar to a purely Metallic Circulation than it was previously?
Certainly.

1157. And the Effect of that has not been to diminish Credit?
Credit has not been diminished.

1158. Has it not been to increase it?
Credit has increased. The Restoration of our Paper to a Metallic Basis has been a Benefit to the Country, and strengthened Credit.

1159. Do you think that mercantile Credit in Bills of Exchange and Cheques, and the different Forms in which Men in Business transact Money Matters in this Country, would be injuriously affected by a still nearer Approach or an entire Return to a Metallic Currency, if it could be in other respects effected?
I think the Attempt to make it more perfect (as some may think) would tend to lower Credit instead of establishing it.

1160. But while the Change which was made in 1819 has strengthened Credit, has it diminished the Amount of Transactions?
As it tends to strengthen Credit, it certainly does not tend to decrease but to increase sound Transactions.

1161. The Question refers not to the Soundness but to the Amount of Transactions?
It tends to increase the Amount.

1162. Are the Committee to understand your Opinion to be, that the injurious Effect upon the Credit of the Country by a Return to a mere Metallic Currency would be produced by the Establishment of that Currency, or only by

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by the Inconvenience that would result to the Country from the Withdrawal of the Paper?

I do not know that I can answer that very clearly. My Opinion is, that if we attempted a Circulating Medium entirely in Gold, if our Payments were made in Gold, it would limit Credit, limit Transactions, and limit national Wealth and commercial Prosperity.

1163. It could not limit the Transactions at the Clearing House, could it?

If the Balance was to be paid in Bullion, it would have a great Effect.

1164. What do you consider to have been the Purpose of the Act of 1844?

The Purpose of the Act of 1844 was to have our Currency on a sound Basis. Such is its Theory.

1165. Do you consider that that Purpose has been effected?

It is my Judgment that the Act has failed in securing Safety.

1166. Was that the Purpose of the Act; was it ever stated as such by high Authority?

I think so, by the Promoters of the Bill, very strongly. My Opinion at the Time was, that it would have that Effect. I thought it was based on a right and sound Theory, and that it would put People so on their Guard that it would prevent Panic. But though I am not prepared to abandon the Act altogether, I am quite satisfied that it has very much aggravated Panic in Time of Difficulty, and that a relaxing Power must be had; that Occasions will occur when it must be relaxed.

1167. Can you define the Circumstances under which such a relaxing Power could be safely confided to any Authority?

I do not think I can answer that Question better than by giving a few general Explanations of the Panic of last Autumn.

1168. Will you have the goodness to do so?

The Panic of April very soon passed away. It was, however, attended with great temporary Inconvenience, yet it was not so prolonged as to produce Failures. As I stated before, in the Beginning of August the Panic which spread through the Autumn and lasted till near the End of the Year, commenced by the Failure of many Houses in the Corn Trade. There was a sufficient Cause for these Failures, which were not owing to this Act at all. Alarm increased to the Pressure of other Houses; it shook Credit; and other Houses which were in dubious Condition failed. Alarm increased; great Depreciation in the Value of mercantile Property followed, and also of funded Property. Afterwards the Pressure reached Houses that ought not to have failed, Houses that had been fairly conducted, and were solvent. Now, so far as this, I think the Act had not much to do with it. The Amount of Bullion in the Bank remained large, not less than Eight Millions Sterling. About the End of September Alarm spread to a Fear of getting Circulating Medium, in consequence of the Restriction of the Act. The Bank raised their Rate of Interest very high; that increased the Alarm, and a State of extreme Panic was the Consequence. Had it not been for the Alarm the Notes in the Hands of the Public would have been superabundant. We should have had a great Number of Failures and a great Amount of mercantile Calamity at all events; but we should not have had the same Degree of Calamity or Panic, neither would the Rate of Interest have been so high. There was no real Cause that the Rate of Interest should have got up to what it did. The Extent of the Calamity was the Effect of the Act and the Act only.

1169. Had not the Bank rather suddenly and very singularly contracted their Accommodation in the Month of April previously?

In the Month of April their Investments declined from Eighteen Millions to Sixteen, and at the same Time their Government Investments were reduced 500,000 *l.* In about a Fortnight they reduced their Accommodation Two Millions and a Half, which sudden Contraction produced the Panic in April. But if that had been the Result of an Operation of Three or Four Months instead of Three or Four Days, it would have materially lessened the Derangement.

1170. Do

1170. Do not you think that that had some Effect upon the Panic which took place in the End of September and the Beginning of October?

I do not think it had. If it had any Effect it would rather have tended to prepare the Public for what followed; but I do not think it had any material Effect.

1171. You stated in your Opinion that if the Bank had earlier contracted its Issues or its Accommodation, or increased its Rate of Interest (which would be practically the same thing), there would have been less mercantile Calamity in the Country. But was there anything in the State of the Bullion in the Bank of England which rendered it unjustifiable in them to grant Accommodation at the low Rate of Interest which they did?

It is my Opinion that they continued to advance Money at a low Rate of Interest too long.

1172. When you say "much too long" do you mean for Interest, or for the Good of the Community?

For the Good of themselves and for the Good of the Community. But it is extremely easy to look back and come to such a Judgment, but not always quite so easy to look forward and judge correctly.

1173. Is it not a Principle laid down by the Act of 1844 that in all Dealings with the Public the Banking Department of the Bank of England is to carry on its Transactions with reference to its own Interest alone, and not with any view to the public Advantage?

That is one of the Principles to be followed under that Act. My Apprehension is, it is not sound.

1174. Will you state why you think so?

The Effect of that Arrangement has been an active Canvass on the Part of the Bank for the Discount Business as against the monied Interest; thus stimulating the Transactions of the Country with the immense Power of the Bank beyond the Bounds of Prudence.

1175. Which was not the Case previously to the Separation of the Two Departments, and the Withdrawal of all Responsibility from public Consequences from the Banking Department?

It would be too much to say that it was not the Case in some Degree before, but not to the same Extent.

1176. Whilst other Houses in the ordinary Course of Trade would not have done the same?

Our House would not. In April 1847, when the Bank thought it necessary rapidly to draw in, they gave Notice to all owing them Loans to pay them off. The Competition of the Bank now appears to be much lessened?

1177. Do you attribute that to the Experience they have had?

It is difficult for me to say what is their Motive of Action. It does not exist to the same Extent, so far as appears.

1178. Do you think that Parties are not applying to them to the same Extent?

They do not make the same Canvass and reduce their Rates of Interest so rapidly as in our Market we have been compelled to do.

1179. They are not doing the same Extent of Discount Business?

Clearly not. Their Stock of Private Investments has run down from 21,000,000*l.* in September to 13,000,000*l.*

1180. Would not the Mischief which you apprehend, according to the Opinion which you have just given, apply more to the Conduct of the Bank in a Time of Prosperity than in a Time of Adversity?

Perhaps it would apply more.

1181. You have given an Opinion, that the Principle that the Bank of England is to look entirely to its own Interest, and to drive the most profitable Trade of Banking that it can, without reference to the general Well-being of the Trade and Circulation of the Country, is a mistaken Principle?

I think it is.

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1182. Do you conceive that Principle to have existed at all Times, or is it a Principle that has been more particularly acted upon since the Year 1844?
It has been a Principle more particularly acted upon since 1844. In fact it has been, if I may so express it, their Basis of Action since that Time.

1183. The Committee are to understand that you are of opinion that the first Failures which took place last Year, that is, the Failures arising from Speculation in Corn, were Failures owing to imprudent Business?
Clearly so.

1184. And that the second Failures, namely, the Failures of Houses connected largely with the Mauritius and the West Indies, were Failures entirely relating to and connected with the ordinary Transactions of Business?
Yes, from the Business being badly conducted.

1185. But that the Failures which afterwards occurred were Failures consequent upon the Action of the Bank under the Act of 1844?
I think that the latter Class of Failures which have been alluded to were much aggravated in point of Number, and in point of Insolvency, by the Action of the Bank in consequence of this Act. I do not mean to say that many of those Houses would not have failed without it.

1186. Have you any Idea how many Houses you would include in that Class?
I have never made the Calculation.

1187. You have not seen any classified List of the Failures that took place?
No. I never attempted any such.

1188. From what Time should you date the Occurrence of that last Class of Failures?
The last Class of Failures, I should say, were those that took place in October and November. After that we had not a great many Failures.

1189. How do you ascribe the Failures in November to the Operation of the Act, when you say that the Letter sent from the Treasury counteracted the Panic?
That is very true; but the Wound had been given before. The People strove on for a few Weeks, and many are still striving on.

1190. Are there not many good Houses which have not failed, but which have yet suffered most severely from those Wounds, and have not yet recovered from them?
I could hardly mention a mercantile House that has not largely suffered from the Effect of last Autumn's Catastrophe.

1191. So that they are suffering, not from their own Imprudences, but from some Pressure which has been put upon them either by the Conduct of the Bank or by the Act of Parliament?
They certainly are all suffering, partly from the Pressure which was the natural Result of the Famine, but that Calamity to them has been much aggravated by the Operation of this Act.

1192. Even those Houses which had made over Provision in their Reserve of Notes?
Clearly. They had to suffer, for instance, if a Firm held 10,000*l.* worth of Indigo, and the Value of that Indigo fell to 8,000*l.*; that was the Suffering. It was not that they had to borrow 10,000*l.*, which they paid Ten per Cent. for for a short Time. The real Loss was in the Reduction of the Value of mercantile Property.

1193. Practically speaking, has not there been, in the course of the Year's Proceedings, an Expenditure of Fourteen Millions of Money in the Purchase of Foreign Corn for this Country?
I never went into the Figures of what the Amount was.

1194. But you know it was a very large sum?
Yes.

1195. Are

1195. Are you aware that there were Seventy-five Millions invested in Railways in the last Year and the Year before?

I was not aware of the Amount. I am well aware that the Extent was very large.

1196. Do you think it would be possible that in any Country there could be the Application of such a vast Amount of Capital as that, without such a Change in the relative Values of other Commodities of Money as would naturally bring down Indigo and other Articles to a low price?

There was doubtless an Abstraction of Capital from mercantile Objects into Railways which must have had its depressing Effect upon the mercantile Community, but it was not very apparent to us who were dealing in Money in Lombard Street; but it stands to reason that it must have had that effect.

1197. If there has been a vast unlimited Outlay of Money, as there was in the Case of Railways and Corn, is not it natural that it must affect the Price of Commodities?

The Two together must have had a great Effect.

1198. Was not the Fall in Indigo the natural Result to a certain Degree of those Circumstances?

They must have had a considerable Effect; but Facilities were always to be had on such Property.

1199. Do you think that many of the Evils which have been experienced would have been avoided by an earlier Issue of the Letter from the Government?

I think that the Panic and the Disasters resulting from it would been mitigated if that Letter had been sent down earlier.

1200. Can you state about what Time you think it might have been sent with Advantage?

It is extremely difficult to look back and attach a Date to it: but if I may judge from the Figures, I should say that if they had sent it down a Couple of Months sooner, or a Month sooner, it would have had great Effect. I do not think we were so much in a State of Alarm, touching the Power of getting Bank Notes, in September. I think it increased upon us, and became aggravated to its utmost Point at the End of October; but I do not think we were very much in a State of Alarm as to getting Bank Notes in September; therefore, if they had sent it down much earlier, I think it would very much have lessened the Difficulties that occurred, and it would have lessened the Calamity that occurred, and would greatly have prevented that very high Rate of Interest.

1201. Then you think, in point of fact, that the Power of Relaxation, if there is to be that Power, should be exercised before a State of extreme Pressure commences?

That is a Question not very easy to answer; but I certainly should be inclined to the Opinion that it would be the safer Error to exercise it a Week or Two too soon than a Week or Two too late. But, notwithstanding the general Tone of that which I have stated, I am in favour of the Principle of this Act; but I am most solidly of the Judgment, which I was not at the time of its passing, that there ought to be a Power of Relaxation; and if there was a Power of Relaxation it would very seldom indeed require to be exercised, but if there is no Power of Relaxation it is my Opinion that it will be very frequently necessary to relax it. If there had been a Power by Law of relaxing, I do not believe that the Letter would have been sent down or even thought of.

1202. In what Hands would you vest that Power?

I prefer the Power in the Bank Direction; but if in the Government it might answer the Purpose.

1203. Could you define the Circumstances under which the Power ought to be exercised, no matter in whose Hands?

The Circumstances may be so various that I cannot attempt to define them.

1204. Would you think it desirable to have the Power of Relaxation when the Exchanges were in favour of this Country, but the internal Demand upon us very great?

I think it is impossible to define what may be the Causes that should lead to Relaxation.

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1205. So that you think that the Power must be certainly of a discretionary Nature wherever it may be thought fit to place the Discretion?

I think it must be of a discretionary Character.

1206. Which Class of Persons do you think most likely to use that Discretion properly, the Directors of the Bank of England, or any Officer or Department of the Government?

I should place more Confidence in the Management of the Bank of England. The Public might not be so satisfied if the Discretion was vested simply in the Bank. I should be willing to place that Confidence in the Bank.

1207. Does not a Restriction of this Description by Act of Parliament, that there shall be a certain Proportion between the Notes and the Bullion, the Moment you give a relaxing Power, become no Restriction at all?

It is a weakeuing of the Principle of the Act, but no more than is necessary. With regard to maintaining an exact Proportion of Bullion and Notes, I think it is fallacious in Practice. For instance, when the Bank had Notes out in November amounting to 20,800,000 *l.*, I venture to say, that the Notes that were really in operation at the Time were not above 16,000,000 *l.* Therefore you cannot regulate those Proportions, because they are so apt to get deranged by Alarm, which cannot be controlled.

1208. Therefore to attempt to regulate it by Law is impossible?

Yes. The Theory is good, but in practice it is dangerous.

1209. If such a Power were vested in any Hands, no matter where, would not the Pressure from the mercantile Community in a Case of apprehended Panic, upon the Bank, or upon any other Body in whose Hands this Power were vested, be absolutely irresistible?

If it be irresistible it is a Question whether it ought to be resisted. I can state another Period in our Market, to which no Allusion has been made, in which I think this Act affected the Community injuriously in a more marked Degree than at either of the Two Periods which have been mentioned. In February 1846, when everything was in a favourable State, we had a favourable Rate of Exchange; 14,000,000 *l.* of Bullion in the Bank; nothing was going wrong in the mercantile Community, on the contrary it was a Time of sound and moderate Prosperity; but in consequence of a particular Parliamentary Regulation an enormous Sum of Money was to be paid into the Bank in a very few Days for the Payment of Deposits on Railways. The Amount was not known beforehand, but it was presumed it would be from Twelve to Twenty-five Millions Sterling. Had there not been a favourable State of Things the Money could not have been paid. No Relaxation took place. Happily the Money to be paid did not amount to more than Fourteen Millions Sterling. But we had Fourteen Millions Sterling to pay out of Twenty. The right and proper Way of managing a Transaction so unprecedented in Extent was for the Bank to say to the Money Dealer, "Gentlemen, we are to receive from you Fourteen Millions Sterling; you shall have extra Accommodation to enable you to accommodate the Public." But what was in fact the Language held out to us? "Gentlemen, there is this Act staring in our Face; we cannot do what we know to be right." Up to the Period of these Payments the Bank had advanced us Money for Ninety Days; they first, from the Fear of this Act, reduced the Ninety to Sixty, and the Sixty to Thirty, then Thirty to Twenty, and then to Ten. The Consequence was, that it was as near a Set-fast as could be; it would have been a Set-fast had it not happened in very favourable Times; it could not have been accomplished, I will venture to say, in an adverse State of the Exchanges. Yet everything was extremely deranged, because the Bank had their Hands tied by this Act. Although the Bank had to receive Fourteen Millions Sterling they were compelled to decrease their Accommodation instead of increasing it.

1210. That Circumstance arose from Legislation for a temporary Purpose, and may be considered as an extraordinary State of Things?

That is very true; but still it was a State of Things when artificial Relief was eminently important to be had, but it was refused.

1211. You say that you expected Payments to amount to Twenty Millions?

The most experienced could not tell the Amount. The Opinions were that it would be somewhere between Twelve and Twenty-five Millions.

1212. Are

1212. Are you aware of the Reason why it did not amount to above Fourteen Millions paid to the Bank of England?
I cannot say why it was.

1213. Are you not aware that there was a Relaxation to this Extent, that the Railways in Scotland were allowed to deposit with the Chartered Banks?
I am aware that was the Case; and in Ireland with the Bank of Ireland.

1214. And in those Transactions no Notes were necessary; the Payment was effected by a Transaction between the Banker of the Company and the Chartered Bank or the Bank of Ireland?
I am most happy to have that Point brought out before this Committee, because it is an important one. Transactions in which the Bank of England is not the Receiver in a very small Degree derange our Market. It is true that so far as the Portion that applied to Scotch and Irish Railways was not paid into the Bank it was a very great Relief. May I venture to comment upon that Transaction as applying indirectly to the Subject before this Committee. At the Time of creating Loans during the War, I never knew a Payment from the Public to the Bank in One Week of more than a Million and a Half to Two Millions. It was, in my Opinion, very imprudent on the Part of the Government to allow the possible Danger of a Sum in any Degree approaching to Twenty-five Millions to be obtained from our Market in a single Week. It might have been Twelve Times over in point of Extent any Payment that ever took place from the Public to the Bank in the same time. The Danger was, under this Act, of a very fearful Character; but the Government allowed the Transaction to take its Course, I think very imprudently.

1215. Those Cases of Payments for Railways which you have spoken of are all Cases where the Notes, supposing any excessive Issue to take place, are entirely confined to internal Circulation, and cannot under any Circumstances operate to force an Export of Bullion abroad?
It has not any Effect upon the Export of Bullion abroad.

1216. You must remember the Case of the Year 1825?
Perfectly.

1217. Was not that a Case of internal Discredit, and of Bank Notes issued much beyond what ordinary Prudence in Banking Matters would have dictated, but in which, from the Fact of the Exchanges being favourable, and there being no Demand for Gold for Export abroad, the Issues under those Circumstances were perfectly safe?
At that Period, which has been technically called, in our monetary History, the Panic, the Exchanges were immediately brought round in favour of this Country. The Bank, not being under this Restriction, were extremely bold in their Issues, and they surmounted the Panic by that Boldness; but till the Time of the Commencement of the Panic, I think, for all the previous Part of the Year 1825, there had been a constant Drain upon this Country for Bullion for Foreign Parts. I think the Exchanges had been against this Country, till they were brought round by the Pressure of the Panic.

1218. But at that extreme Period there was no Danger from that Circumstance?
Not the slightest Danger.

1219. Does not the Question, whether Bank Paper be in Excess or not, mainly depend upon whether the State of the Foreign Exchanges makes it probable that an Export of Bullion may be called for?
That is very difficult to answer exactly. Experience shows, that when we get into a State of excited Transaction and Price, an extended Issue of Bank Notes takes place, and the Exchanges are turned against this Country.

1220. In the Case which you stated just now of the Payment of the Railway Deposits in February 1846, supposing the Bank had not been under the Restriction of this Act of 1844, and that the Bank had assisted for the Purpose of effecting that Transaction, the Transaction being entirely a domestic one, do you think that would have occasioned any Danger to the Bank of a Demand for Bullion from abroad?
There would not have been any Danger whatever. The Bank might have accommodated the Money Dealers to any extent the Community might have

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required, and it would have been passed over with great Ease. Beyond all Question the Bank ought to have taken this Course, and would have done, instead of one of unprecedented Restriction forced upon them by this Act.

1221. Would not you conclude from that Case as well as others that a Measure which restricts the Issues of the Bank to a certain Amount of Notes, leaving no Discretion to consider any other Circumstances connected either with the Condition of the Country or of the Bank, is a false System to act upon?

Any such System, without a Power of Relaxation, has shown itself to be dangerous, and not based in real Wisdom.

1222. What was the Rate of Discount in February 1846?

The Demand at that Time raised the Value of Money to Five per Cent., after a long Period of low Price, at Times so low as One and a Half to Two per Cent.

1223. Can you state the Variations that took place at that Time in the Rates of Discount?

We began the Year with Four per Cent. The Rate rose to Four and a Half at the End of January, and to Five per Cent. in February. The Rate again fell to Four and a Half, to Four, to Three and Three Quarters, and to Three per Cent. in August.

1224. The Question alludes merely to the Effect of that Call for Railway Deposits in February?

Clearly so.

1225. This State of Things arose out of Legislation that was directed to a particular Set of Circumstances, and it was only for a Time?

It was.

1226. Would it not be more reasonable to take into Consideration the permanent Law of the Country, and to govern the temporary Legislation upon that Footing, than to alter the permanent Law of the Country in consequence of a particular temporary Circumstance?

If by the permanent Law of the Country is meant the Act of 1844, and it had failed only in one Case, I should have been jealous of Alteration; but we have had Three Periods of Crisis and great Difficulty in our monetary System in the last Twenty-five Months, in each of which I am certain that the Calamity and Difficulty were materially aggravated by this Act. If there had been only One Case I should wish to try it a little longer; but when we have had Three successive Cases one after the other, and in each Case the Difficulty has been extremely aggravated by it, I come to the solid Conclusion that the Act must be relaxed.

1227. The Times to which you allude are February 1846, April 1847, and Autumn 1847?

Yes.

1228. All Three arising from different Circumstances?

The Pressure in the Autumn of 1847, in fact, arose from the same Causes as that in April of the same Year, but in a much more aggravated Form.

1229. Do not you think that the securing the Convertibillty of the Bank Note is an Object paramount to all other Considerations?

I think it is of very high Consideration. I should deeply lament to see it endangered. But it is my Judgment that it is more endangered by this extreme Restriction than protected.

1230. You were understood to say, that you think the Convertibility of the Note was never in Danger?

Not in immediate Danger; but we were in Danger of bringing on Circumstances that would have endangered it, by aggravating the Panic from the higher Classes of Dealers to the lower, to those whose Traffic is in Coin; and if it had once extended to that Class I cannot calculate upon the Consequence.

1231. If you virtually invested the Directors of the Bank with the discretionary Power to which Allusion has been made of relaxing the Act, wouid not that be pro tanot in a great Degree an Abandonment of the Principle of Convertibility?

Not of the Principle of Convertibility.

1232. You

1232. You think they had approached to acting upon the Principle of the Act in the Years that had preceded the passing of it, say the last Ten Years?

Yes, undoubtedly they had. I did not fully answer the Question whether I considered the Convertibility of the Note of paramount Importance. I think it very important; but I think myself that in a Country such as this, with our enormous mercantile Transactions and with our immense manufacturing Population, there may be Circumstances in which the less Danger might be the endangering the Payment of the Note in Bullion; but I should most deeply lament such a State of Things.

1233. But you would not attempt to provide for that by any prospective Legislation?

I think you cannot possibly do that.

1234. You said that at the Time of the passing of the Act of 1844, you approved not only of its Principle but of its main Provisions. Were you of opinion that the Sum of Fourteen Millions, plus which no Paper could be issued without an Equivalent in Gold, was the Sum which ought to have been fixed upon?

I did at the Time think it a reasonable Limit, but my decided Judgment after the Experience I have had, is that if the Restriction is to be continued without a Power of Relaxation, the Limit is too low.

1235. Are you prepared to say at what Sum you would fix it?

I am not prepared with a Sum.

1236. You said that when the Law was enacted you were favourable to the Principles upon which it was founded, and favourable to the Law itself?

I was. I really did believe that before a Time of Pressure came on, Prudence would lead to a Limitation of Transactions, and that we should in a large Degree avoid such Pressures; but Experience has shown otherwise.

1237. That Opinion was founded naturally upon your great Experience in the monetary World for many Years before 1844?

That was my Opinion.

1238. Are there, in the History of the Money Transactions of this or of any other Country, any Circumstances that can be at all compared to those that have taken place in this Country in the last Twenty Months?

I think that the Catastrophes of last Autumn were beyond all Parallel in our monetary History, as far as I know.

1239. The Question referred to those extraordinary Investments, amounting to upwards of Seventy Millions of Capital, in Speculations which did not give any immediate Return, together with the Expenditure of Fourteen Millions in One Year for the Food of the Country in Corn, and Failures arising from other Circumstances to which you have alluded taken in combination with the Panic. Is there on Record in the History of the Money Transactions of this or of any other Country an Example of such a State of Things?

I cannot point out any Example.

1240. When you entertained the Opinion you have expressed in 1844 respecting the Act which was then passed, you did not anticipate such a State of Things as possible to occur?

I did not anticipate it. But I would say that, serious as the Causes were which produced this Effect, I think we have that Wealth in the Country, and that Amount of Money, that had there not been this Act of Restriction we should have got over it with much less Difficulty.

1241. You incline to think that it was the Act that did the Mischief to a large Degree, but you do not mean to throw the whole Thing upon the Act?

Certainly not.

1242. You said that several of the Houses that failed ought to have failed?

It was quite proper.

1243. There had been a great Loss of Capital in Corn Speculations?

Yes.

 1244. A great

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1244. A great deal of Money had been invested in Railways, which has not yet made a Return?

Such has been the Case. I do not think it affected these Failures so much as it had the Credit of doing.

1245. Although the Money may eventually prove to have been very profitably laid out for the Country, must not the Investment of it in a Mode that will not give a quick Return occasion some Effect upon the monetary Capital of the Country in the meantime?

As far as that Amount of Money had been abstracted from the circulating Money of the Country it had gone from the Hands of A. into the Hands of B. and had very little Effect on the Money Market; as far as it had been abstracted from the more permanent Capital that had been engaged in Commerce, it had an Effect in lowering the State of the commercial Business of the Country.

1246. Is not it attended with the same Effect that a sudden Translation of Money from a Business producing a quick Return to another Business producing a slow Return would have?

So far as there was an Abstraction of permanent Capital engaged in commercial Business Pursuits, so far it would tend to lower the State of Trade and Commerce; but my Experience does not give me a very clear Judgment upon that Subject.

1247. The Years 1845 and 1846 were the Years in which there were the largest Railway Transactions?

Yes.

1248. And you stated that in those Years the Prosperity of the Country was sound and moderate?

Yes.

1249. There was no great Demand for Capital, as shown by the Rate of Interest, to invest in mercantile Transactions; there was no Scarcity of Money to invest in mercantile Transactions?

No.

1250. Therefore would it not be right to assume that there was not much Money abstracted from mercantile Transactions for Railways?

I am not prepared to admit the Assumption fully. As far as I have observed, I cannot trace the Catastrophes of April 1847 and the Autumn of 1847 to any Question of Railways.

1251. Without reference to the Catastrophes that occurred, is it not evident that if the Labour of 100,000 Men, which is Part of the Capital of this Country, be employed for a Year in a Mode that gives no Return of Profit for another Year, that Amount at any Rate of the real Capital of the Country is for the Year lost?

It may be so. On the other Hand, I know of no Branch of our Commerce, Trade, or manufacturing Interest that was, during that Period, put into any Difficulty for Want of Capital or of getting Labour, therefore I cannot trace it in my own Experience.

1252. There was no higher Rate of Wages in the manufacturing Districts, and no greater Demand for Labour during that Period?

I never heard that there was.

1253. Did not you, in the Employment of your Money in discounting, and other Employments of Money, find the Bonds of Railway Companies come in Competition and enhance the Rate of Interest and Demand for Capital?

They do come in Competition with a certain Class of Money, that is to say, Money for Investment; but the Committee will bear in mind that there are Two Classes of Money, if I may so express it, in this Country. There is the loose and floating Money, and there is the Money that requires permanent Investment, and there is a wide Difference between the Value of the one and of the other. I have no Hesitation in saying that the Value of Consols was much lower in consequence of the Railways and their Bonds; and so with Exchequer Bills; but the floating Money of Lombard Street was not lower in consequence.

1254. You

1254. You have no Doubt that the Rate of Interest was higher?
The Rate of Interest was of course higher on permanent Investments.

1255. And therefore it showed a Diminution of floating Capital disposable in the Market?
Not of the floating Money in our Market.

1256. Do you consider that the greater Proportion of the Money advanced towards Railways was advanced as Investment and not as Speculation, the Party intending to sell again as soon as there was a Rise in the Value?
I think by far the greater Portion was on the Ground of Speculation, and not by the first Shareholders for permanent Investment.

1257. Do not you think that with the very low Rate of Interest that there was in the Years 1844 and 1845 and the first Portion of 1846, if there had not been those Investments at home, that Money would have gone in Foreign Railways or Speculations abroad, which would have abstracted more directly the Capital of the Country?
If these Schemes had not existed a great deal of Money would have gone abroad.

1258. It appears then that you do not think that the Evil was in their being any Railway Expenditure, but that the Evil consisted in the excessive Railway Expenditure?
Clearly so.

1259. And in the Want of Power of Relaxation on the Part of the Bank?
And in the Want of Power of Relaxation on the Part of the Bank. I think we should have got over all these Difficulties, as far as the Money Market is concerned, with no great Pressure, if it had not been for the Bank Act.

1260. You stated that, as far as your House was concerned, though Money was withdrawn for Railways yet it was returned with other Deposits; do not you think that was the Case also in other Banks?
I presume it was. It had the Effect of concentrating a vast Number of small Sums, and these large Sums came into our Market.

1261. You were asked whether, if the Rate of Interest had got up to Ten per Cent. in October 1847, that would not have induced People to let out the Money they had hoarded. Was not the Money they hoarded obtained by the Sale of Securities and by other Means for the Purpose of meeting their own Liabilities?
It was so in a large Degree, but also making People that were indebted to them pay up Loans.

1262. But they did that for their own Security, and therefore no high Rate of Interest would have induced them to let the Money out?
Certainly not. A high Rate of Interest is thought too much of as a Protection. I am certain that when a Panic exists a Man does not ask himself what he can get for his Bank Notes, or whether he shall lose One or Two per Cent. by selling his Exchequer Bills, or Three per Cent. If he is under the Influence of Alarm he does not care for the Profit or Loss, but makes himself safe and allows the rest of the World to do as they please.

1263. Under such Circumstances are not Persons who require Money willing to give a high Rate of Interest for it without regard to the exact Amount?
They are compelled to do it.

1264. But do not they pay it willingly?
No; not willingly.

1265. Do not they prefer giving a high Rate of Interest to going without the Money?
Most certainly.

1266. But he does not hesitate?
Not a Moment; he cannot help himself.

 1267. If

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1267. If the Bank does not limit its Accommodation by raising its Rate of Interest, must it not limit its Accommodation by withholding it altogether?

My Opinion is, that under adverse Circumstances there should be a gradual Limitation in Amount of Accommodation, and also in raising the Rate of Interest.

1268. Then you do not hold that the Bank should, or can, or ought to have an unlimited Power of Accommodation?

I think not. The Bank ought to be regulated by sound Principles; but inasmuch as no one can tell the Effect of Alarm, to say that under every Circumstance they shall be tied down to a particular Limit in my Opinion will not work, but is fraught with Danger.

1269. Do not you consider that the Bank Directors have practically limited themselves, according to what they considered to be proper for the wholesome Condition of the Trade and Circulation of the Country?

The Bank have always so limited themselves. The Principle, that in the Banking Department they are to do as they please, and need not have other Consideration than the Profit only, is quite wrong. But before the Adoption of this Principle, under that Influence the Affairs of the Bank were prudently and judiciously managed.

1270. Until they were induced to act upon that System?

Till the new Principle was adopted.

1271. Was not that Principle announced in 1844 previously to the passing of the Act?

I think it was concomitant with the passing of the Act.

1272. You said that notwithstanding that Explanation you still were favourable to the Principle of the Provisions of the Act?

I was.

1273. You did not see any Objection to it at that Time?

I did not; for I thought with Sir Robert Peel that it had its own Protection within itself, and that it would guard us against such Panics.

1274. But you did not object to that Portion of it which enables the Bank to pursue its own Interest as private Bankers?

I had no Objection then. I had not had the Experience which I have since had. I have changed my Opinion from the Experience of the last Two Years.

1275. You now think it certainly objectionable that the Bank Directors should merely look to the Management of the Bank as a Banking Concern with a view to the Profit of the Proprietors, and that with reference to giving Accommodation they should look only at the State of their Reserves, without looking to see whether the Drain is foreign or internal?

They must be governed by a great Variety of Circumstances bearing upon the Amount of Notes which they have in reserve.

1276. You said that it was impossible to foresee the Impressions that Men's Minds would receive, and from which Panic might arise in the Market. You said also that such a Panic at any Time might arise, and that we were last Autumn near arriving at a Run for Gold. If such a Misfortune were to occur in the Country, do not you think that you would be much better able to cope with it having the Act of 1844 than if no such Act had passed?

I am most decidedly of the Judgment that you would not be able to cope with it under the restrictive Character of the Act; and that the Restriction is in fact as it were tying your Legs and Arms when you want to exert yourselves in an uncommon Degree.

1277. Even if a Run had commenced?

Certainly; because the more Difficulty you throw in the Way the more you add to the Panic from which the Demand arises.

1278. Still that Act nevertheless compels the Bank to keep a better Provision of Bullion than it might without it?

It may have that Effect. The restrictive Character increased the Panic.

Instead

Instead of lessening the Demand upon the Bank in the Autumn of last Year the Fear of the Act increased it; and had not a Relaxation taken place the Alarm would have rapidly increased, as also the Demand on the Bank, which if not supplied would have produced great national Calamity.

1279. Your Answer rather applies to the Creation of a Panic and a Run for Gold. The Question proceeds upon the Supposition of the State of Things when a Run for Gold has actually commenced, because you have stated that it is impossible to legislate so as to prevent Impressions, false or true, being made upon the Minds of Men. Supposing the Case of a Run for Gold having actually commenced, is it your Opinion that the Bank would not be in a better State to contend against such a Calamity in consequence of the Act of 1844 than it would be if no such Act had passed?

I am of opinion that it would be in a worse Position.

1280. Will you explain why?

Because of its Tendency to create, confirm, and increase Panic.

1281. In the late Case a Run for Gold did not occur?

No.

1282. Therefore your Answer again alludes to what might create a Run for Gold rather than what would occur if a Run for Gold were created?

Perhaps there may be a Distinction, but I do not see it. That which really creates and confirms a Run for Gold is Panic.

1283. Your Opinion is, that if this Act of Parliament had not been broken, either by the Bank Directors or by a Letter from the Government authorizing them to do it, so allaying the Alarm of the Public, there would have been a Danger of a Run for Gold upon the Bank?

I think it probable it would have terminated in a Run for Gold.

1284. Do you think that any Act which may endanger the Country to such an Extent ought not to exist?

I have come to the Conclusion that at least there should be a Power of Relaxation.

1285. That it should not exist in its present Integrity?

Decidedly not.

1286. Would not the Danger which you have described that would arise from a Run for Gold within the Country itself be very different from that arising from a decided Demand for Gold for Exportation in consequence of the Exchanges being for a Length of Time very unfavourable?

A Demand for Gold arising from Panic would be infinitely more severe and disastrous and uncontrollable than a Demand for Exportation for mercantile Purposes.

1287. The Question did not refer at all to the Cause of the Run for Gold. It supposed the Existence of a Run for Gold, no matter from what Cause; and it is whether, supposing from the State of the Exchanges or from internal Demand such a Run to have actually commenced, the Bank would not be, in consequence of the Act of 1844, in a better Position to contend against such a Calamity than if that Act had not passed?

I have my Doubts whether it would be so. It is one of those abstract Questions upon which an untrue Answer may be given.

1288. The Committee have before them a Return from the Bank of the Notes in the Issue Department. This Return shows the Notes issued whether they are in the Coffers of the Bank or in Circulation. Will you have the kindness to state, for instance, taking the 6th November 1847, the Amount of Notes in Circulation?

On the 4th November the Notes in the Hands of the Public amounted to 20,832,750 *l.*

1289. If you deduct the Reserve from the Issues, the Result will be the Notes in active Circulation?

Clearly.

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1290. There is a Regulation existing by the Act of 1844 which confines the Bank only to have One Fifth Part of its Bullion in Silver; do you think that a desirable Provision?

I think not. I am against adding Silver to our Standard Value; but I do not see why, if a Million in Value of Silver comes to this Country, and goes into the Coffers of the Bank, why it should not operate to the Relief of the Community under a particular Pressure as much as if it had been so much Gold.

1291. Though it might enable you to check an unfavourable Foreign Exchange, is it not the Fact that Silver not being a legal Payment could not at all protect the Bank from any domestic Demand for Gold, inasmuch as the Bank, whatever Millions it might have of Silver, could not pay in Silver. So that supposing a Demand from the Interior of the Country from Panic or any other Cause were to come upon the Bank, Silver would not be useful for such a Purpose?

Even Silver Coin might be an important Aid under such Circumstances. I am of the Opinion that Silver ought in Time of Pressure to bear more directly upon relieving the Country than it does according to this Regulation.

1292. Your Opinion is that the Foreign Exchanges would be so immediately affected by the Export of Silver to France as to bring in Gold for that Purpose?

Or at least to regulate the Exchanges immediately.

1293. Would such a Permission to the Bank to hold a large Quantity of Silver endanger in any Degree the Convertibility of the Bank Note?

I think it would not.

1294. Would not the Knowledge of the Bank having a very large Amount of Silver of itself tend to check the Demand for Gold?

I think it would.

1295. As long as the Foreign Exchanges are in our Favour would there be any Danger of such a Depreciation of the Note as to occasion a run for Gold?

A Run might arise from a State of Alarm.

1296. Is it not a Medium of Communication with all Countries, excepting America?

I do not know that it can be fairly called a Medium of Communication between all Countries in Europe.

1297. In fact it becomes Money when it reaches any Foreign Country. It does not require Conversion into Money, but it at once becomes Money when sent to a Foreign Country?

I presume that is the Case.

1298. If it is sent to Hamburg it becomes immediately Marks Banco?

I presume that is the Case. It is treated in France and at Hamburg as Gold is treated in this Country; it becomes Money.

1299. Do you consider what has happened in the last Year to have very much impoverished the general Condition of the Commerce of this great City of London?

Certainly.

1300. Not only have there been extensive Failures, but even with respect to those that have not failed it has produced considerable general Impoverishment in their Means?

Undoubtedly; a Reduction in their Means beyond all Question.

1301. Commercial Capital is not at present what it was a Twelvemonth ago to a great Extent?

It certainly is reduced to a very great Extent.

1302. Do you suppose that any Calamity can come upon a great commercial Country from a Derangement of the Currency much more severe than that which has taken place during this last Year?

In my Experience I have never known commercial Difficulty and Calamity at all to be compared with what occurred in the Autumn of last Year.

1303. When

1303. When this high Rate of Interest took place on the Part of the Bank going to the Extent that you have stated, they having demanded of you Ten per Cent. for Money, how high in the Market has the Rate of Interest been? Have there been any very extravagant Transactions on the Part of People who wanted Means to meet their Engagements?

In the Discount Market the high Rate of Interest adopted by the Bank affected us also, nearly in the same degree; but it was so much against our Judgment that we kept the Rate down to Eight as much as possible. I see that my Figures were in some Instances 8, 7, 9, 6½, to the End of November. But there were a great Number of Days last Autumn when we did not choose to part with our Money at all. The Effect of this Panic even with ourselves was that we always had a very large Sum that we dared not use.

1304. Your own Feeling for your Customers led you as much as you could safely to keep your Rate of Interest?

As far as we could with safety to ourselves, we kept the Price down.

1305. From what you know of what was going on in the City, do not you conceive that either by the Sacrifice of Goods, or by the actual Payment of Interest and the Sale of Securities, even a much larger Sacrifice of Interest has been made by some Parties to meet their Engagements?

Certainly. On the Stock Exchange to my Knowledge a Rate of Interest was paid for short Periods up to as high as Thirty-five and Forty per Cent. But it must be borne in mind that those high Rates operated upon a very few Days only. But one of the Features of the Panic of last Autumn was that Exchequer Bills and Securities of that Kind were not to be converted into Money at all.

1306. When the Interest came up, from the Circumstances which you have mentioned, to that high Rate of above Eight per Cent., it could only be paid by Persons who were Pressed for the Purpose of meeting their Engagements?

Clearly.

1307. You do not suppose that the fair Speculation, or what may be called legitimate Business could afford to pay any Interest of that Description?

The Business of later Days would not afford to pay it; it was paid, as I stated before, because People could not help themselves.

1308. Do not you consider that State of Things fatal to the manufacturing Interests and all the ordinary Trade of the Country?

It was a great additional Calamity; a great Aggravation of the Calamity.

1309. The Question refers to the ordinary State of Trade and Manufactures and the Nonexecution of Orders in consequence of the high Rate of Interest absorbing all Profit?

It absorbed all the Profit in many Cases which came under my Knowledge; at least the People said so.

1310. Did it not produce a Stagnation of Industry while it lasted?

A great Stagnation took place at the Time. People were forced to make good existing Engagements, but they took care to make no new ones.

1311. In former Times before the Alteration of the Usury Laws the Bank never advanced the Interest beyond Five per Cent. Do you suppose that upon this Occasion the carrying up the Interest to those high Rates of Eight and Ten per Cent., so prejudicial to the ordinary Commerce of the Country, afforded any material Facility to the Bank for their own Protection?

There is some Protection in it to the Bank, but I think it is overrated.

1312. You would distinguish between a Fluctuation in the Value of Money employed beneficially, and those Fluctuations which arise from a powerful Body like the Bank of England operating upon the Necessities of the Public?

Clearly. I can conceive a State of Things when the true Value of Money ought to be Ten per Cent., as, for example, during the War; but since the War I think we have had no Period when the State of the Market would have fairly warranted such Rates of Interest; certainly not last Autumn. If it had not been for the Act, last Autumn, I do not think the Rate would have got above Six or Seven per Cent.

S. Gurney, Esq.

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1313. Do you think that the Bank might have met its Difficulties limiting itself to its old Rate of Interest at Five per Cent.?

The Bank would have got through upon a System of Restriction even at Five per Cent., in my Opinion, and with Ease, if it had not been for this Act. They never were in a reduced State as to their Bullion. The Stock of Bullion was never reduced under Eight Millions Sterling.

1314. Could they have safely reduced their Stock much below that Amount?

With perfect Safety Two or Three Millions more.

1315. Do you think it desirable to publish the Accounts of the Bank?

It is now desirable. We have got so used to it we should exceedingly dislike its Omission.

1316. Do you think Parties are now guided by it very much?

Many are materially governed by it.

1317. Does not it upon the whole give Confidence?

I think it does. I think it has worked well.

1318. When the Reserve is in a diminished State, does not the Publication of it tend to prevent the Bank from giving Accommodation by issuing Notes to an Extent the Publication of which may be prejudicial?

I have not observed that the Publication of it has checked the Operations of the Bank or limited their Power in any way.

1319. Did not it last Autumn increase the Alarm?

I think that the Publication of the Reserve added to the Panic on that Occasion.

1320. Will you state to what Extent, in your Opinion, short Bills of Exchange form a Part of the active Currency of the Country at different Times, so as to form Part of the Circulation in passing from Hand to Hand?

It is impossible to say; I could not give a Guess.

1321. Last Year has been rather a favourable Year for Persons having Capital to lend, has not it?

It was so.

1322. Do not you think that the Bankers and others engaged in Money Transactions will eventually lose, on account of the great Losses experienced by their Customers?

I think he was a very clever Money Dealer that did not lose Money last Year.

1323. You think that the Losses by bad Debts were greater than the Profits by high Rates of Interest?

I think so.

1324. Do you think that the great Fluctuations in the Rate of Interest which have taken place in the last Year are advantageous or not to Bankers or Dealers in Money?

I think they are advantageous to Dealers in Money. All Fluctuations in Trade are advantageous to the knowing Man.

1325. May not the Banker suffer eventually from the high Rates of Interest, by impoverishing his best Customers?

No; I do not think it has that Effect perceptibly.

1326. You said that you thought the Publication of the Bank's Reserve increased the Panic; did you mean that it increased the Intensity of the Panic, or that it caused it to begin at an earlier Period?

I think it increased the Intensity.

1327. If that Feeling came on them more gradually in consequence of the Publication of the Bank's Reserve, might it not lessen the injurious Effects of the Panic instead of increasing them?

I am not aware that it so operated.

1328. Your Opinion is, that the Affairs of the Bank were not very carefully administered for a short Time before that?

The Bank was told, Get as much Profit as you can out of the Money in your Hands. That was the Principle adopted. I cannot blame them for the course they pursued.

1329. They naturally look to the Interest of their Proprietors?

They naturally wish to raise their Dividend, which they have done to Nine per Cent.

1330. You are aware that the Issue Department and the Banking Department are completely separate?

Quite so.

1331. In the Banking Department the Directors naturally look to the Interest of the Proprietors. As they are so separated, why should they not be under a completely separate Management?

I have not given my mind to that so far as to give an Answer. It is a Question which involves very much.

1332. Do you approve of the Division in the Management of the Bank?

I think it worked better before it was divided.

1333. But if the Act is to be maintained, and a Separation is to be made, do you approve of the present Division?

Upon the whole I think it has not worked very favourably.

1334. You said that you never remembered such a Crisis as that through which we have lately passed. Did not the Distress consequent upon the Failure of the Country Banks in 1825, produce more general Suffering in the Community at large, though perhaps not in the London mercantile Community?

I think the Intensity was infinitely greater, and the Loss of mercantile Property infinitely greater in 1847.

1335. Have you not prepared a Table of the Rate of Interest for a Number of Years past?

I prepared a Table for Lord Monteagle of the Rate of Interest for Twenty Years, but I have not got it here.

1336. Will you be so good as to send it for the Information of the Committee?

With the greatest Pleasure, anything that the Committee would like to have. (*Vide Appendix*).

1337. Is the Business of a Money Dealer, which you describe yours to be, a new Description of Business in the City of London, of late Years; were you the first Person who began it?

Benjamin and Abraham Goldsmid conducted it before I did. As far as I am able to trace the History of Money-dealing in London, I think the old Business of the Goldsmiths was more analogous to our Business than the Banking Business at present.

1338. The Practice of your Business is to visit the different Bankers to take their superfluous Capital beyond what they can employ, and then furnish Aid to those that want it?

That is the general Tenor of our daily Transactions.

1339. So that in fact there centres in you, supposing you to be the only Party carrying on this Business, the whole Amount of disposable Capital at the Time?

It is so in a considerable Degree with ourselves and others in the same Line of Business. The Stock Exchange also absorbs much of similar floating Money.

1340. What is your Business called?

It is usually called Bill Brokers; but that is not true, because we do not act as Brokers; we act as Dealers.

S. Gurney, Esq.
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1341. Are your Transactions confined to the City, or do you do Business at the West End?
We do Business with the West End Bankers occasionally to a large Extent, and transact Business with a large Proportion of the Country Banks.

1342. Are there many other Persons in the same Description of Business as yourself?
Not a great many.

1343. Your Business, in fact, is equal to all the rest put together, is it not?
We have a considerable Proportion of it.

1344. Is not it only of late Years that you, and Persons similarly situated, have had the Power of discounting at the Bank?
It has been the Case of late Years. Formerly we had not that Privilege.

1343*. Had the House to which you referred, Goldsmid's, that Privilege?
I think they never had in their Time.

1344*. You say that it is very seldom that you apply to the Bank?
We never apply to the Bank, unless the Amount of Circulating Medium in the City is below the Requirements, then we became in a large Degree the Agents in getting it from the Bank. If the Supply of Circulating Medium is adequate we never go near them.

1345. Is not it rather an Inducement to you to go to the full Extent of your Means in giving Accommodation, having the Power of falling back upon the Bank in case of need?
Clearly. The having the Power of falling back upon the Bank gives us great Power to accommodate the Public.

The Witness is directed to withdraw.

Ordered, That this Committee be adjourned to Monday next,
at Two o'Clock.

Die Lunæ, 28° Februarii 1848.

The LORD PRESIDENT in the Chair.

Evidence on the Commercial Distress.

S. J. Loyd, Esq.

28 Feb. 1848.

SAMUEL JONES LOYD Esquire is called in, and examined as follows:

1346. You have been a long Time connected with Business in the City of London, and in the Country generally?
Yes.

1347. Can you say about how long?
Five or Six and twenty Years.

1348. During that Time you have had an Opportunity of observing the various Circumstances that have affected the Circulation and Commercial Credit as connected with the State of Circulation of Bank Paper?
I have.

1349. Will you be so good as to state in What Degree, in your opinion, the Commercial Crisis which took place in the Month of April last Year, and the further Disturbance of Credit which took place in the Autumn of last Year, were connected with the Conduct of the Bank and the State of the Circulation of Bank Paper?
I do not consider that the Pressure which took place in April last, or the subsequent pressure in October, was in any Degree connected with the Management of the Circulation. I consider that Pressure to have been entirely of a mercantile Character. The Amount of Bank Notes in the Hands of the Public during that Period was unusually large, and I apprehend that the same degree of Pressure must have taken place under a Metallic Circulation, or under any other System of Circulation in which adequate Provision was made for securing the Convertibility of the Notes.

1350. Will you be so good as to state what, in your Opinion, were the Causes in which that Pressure originated, distinguishing those Causes which were in operation in the early Part of the Year, and those which may have been in operation in the subsequent Part of the Year?
That Pressure, I conceive was caused by a Deficiency of Capital to sustain the mercantile engagements that were in existence. That Deficiency of Capital arose from the Failure of the Harvest both in this Country and throughout Europe, and also from the extraordinary Diversion of Capital from trading Purposes to the Construction of Railways. The Pressure was further intensified in the Autumn by the extraordinary Extent of Commercial Failures which occurred at that Time, and the general Alarm to which those Failures gave rise.

1351. Will you state, that Pressure existing, what Effect, in your Opinion, the Act of 1844, commonly called Sir Robert Peel's Act, had either in alleviating or in aggravating that Pressure?
For the Reasons already stated, I apprehend it had no effect whatever in aggravating the Pressure. I conceive that the Act of 1844 protected the Public from the additional Evil which would otherwise have occurred of a Failure in maintaining the Convertibility of the Notes, and the consequent complete Destruction of our monetary System.

1352. You are of opinion then that the Pressure would have occurred, and have been as severely felt, had no such Act been in existence?
I am of that Opinion, certainly. I see no Ground whatever for saying that the Act in the slightest Degree tended to create or to increase the Pressure.

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1353. Do you think that the Conduct of the Bank was different under the Act from what it would have been if no such Act had been passed?

The Course pursued by the Bank from January to April 1847, which I apprehend to have been extremely erroneous and detrimental to the Public Interest, was stopped only by the positive Provisions of the Act; and if that System of Procedure had not been so stopped it must have ended in the most disastrous Consequences.

1354. Then you are of opinion that in that respect the Act must have so far moderated the Pressure, by causing the Bank to suspend that Operation which you condemn sooner than they otherwise would?

Yes.

1355. What was the Conduct of the Bank from January to April which you consider to have had this unfavourable Tendency?

A constant Increase of its Advances on Securities, and a constant Decrease of its Banking Reserve, in the Face of a continuous Drain of Bullion.

1356. You mean of Private Securities?

I mean an Increase of the total Securities. The Increase was principally of the Private Securities.

1357. Was there not at the same time a considerable Reduction of Public Securities?

No; the Public Securities on the 2d of January were 12,800,000 *l.*, and on the 10th of April 13,500,000 *l.*

1358. You stated that there had been a gradual Augmentation of the Securities simultaneous with a gradual Drain of Bullion. Now, the Public Securities in the Beginning of January were at 12,826,000 *l.*, and at the latter End of January they were only reduced to 12,722,000 *l.*, and all through March they never amounted to 12,000,000 *l.*?

Very near it,—11,990,000 *l.*

1359. But there is a constant Decrease, though not a very large one, of the Public Securities, is there not?

Yes.

1360. Until you come to the 10th of April, when there appears upon one Occasion to be an Increase of the Public Securities to 13,574,000 *l.*, which, however, in the next Fortnight immediately fell Two Millions; under those Circumstances do you think there is any reasonable Charge to be made against the Bank of any great Deviation from the right Rule of Procedure with reference to the Amount of their Securities?

Yes, I think there is a very strong Ground for Charge against the Bank. In the beginning of January the total Securities were 27,898,000 *l.*, and on the 10th of April they were 31,700,000 *l.*

1361. That was only One Week?

Take the 3d of April. There was from January to April a very large Increase in the total Amount of Advances by the Bank upon Securities, notwithstanding that during that Period there was a very serious Diminution of its Bullion.

1362. That is including other Securities, as they are called, as well as the Public Securities?

Including the Private Securities, which are the more important to look at, because the Advances upon Government Securities are less within the Control of the Bank. It is in regulating the Advances upon the Private Securities that the discretionary Power principally exists. The Bank continued to increase their Advances upon Private Securities while there was a continuous Drain upon the Bullion.

1363. What do you call the Amount of Bullion in the Bank in the Months of January, February, March, and the Beginning of April; was it not invariably rather above Ten Millions?

The Bullion was above Ten Millions, but it was steadily diminishing. It was subject, during those Three Months, to one of the severest Drains that the Bullion has ever sustained.

1364. Then,

1364. Then, according to your Theory, the Fact of the Bank having a Drain upon its Bullion, though that Drain did not bring its Bullion below 10,000,000*l.*, should have been a Reason for the Bank refusing the Augmentation of its Private Securities, or in other Words refusing the Accommodation required by the Trade of the Country, its Public Securities having in the meantime rather diminished than augmented?

My Principle is, that during a heavy Drain upon the Bullion the Bank ought not to increase its Advances upon Securities in such a Manner as to run down its Banking Reserve to an unsafe Amount.

1365. Are you aware that in the April Quarter of 1847, to which you have referred as showing an Increase in the Securities on the Part of the Bank, the Amount required on Deficiency Bills at that Time was 3,400,000*l.*?

I have no Means of knowing the Amount of Deficiency Bills.

1366. There is a Return before the Committee which shows that in April 1847 the Amount of Deficiency Bills was 3,400,000*l.*; subtracting the Deficiency Bills then, was there not a considerable Diminution in the other Public Securities?

It seems to me that the introducing into the Question a Distinction of the different Forms of Securities only tends to confuse our View with respect to the really important Principle. The total Amount of Notes placed at the Command of the Bank of England in its Banking Department depends entirely upon the Amount of Bullion in deposit. Then as the Bullion diminished the total Amount of Notes placed at the Disposal of the Bank of course diminished to an equal Extent; the Diminution must take place either by a Reduction of the Notes in the Hands of the Public or of the Notes in the Banking Till. From January to April 1847 that Reduction fell entirely upon the Notes in the Banking Till, and it was permitted by the Bank to go to an Extent which reduced the Banking Reserve to a very unsafe Point. That Process, in the Face of a heavy and continued Drain of Bullion, was in my Judgment an improper and unsafe one.

1367. Assuming that there was that Increase which appears upon the Face of the Returns in the Deficiency Bills in the April Quarter, then, in order to accomplish the Object which you contemplate as necessary for the safe and good Action of the Bank, there ought to have been a proportionate Reduction in the other Securities which they had?

I really am a little cautious of answering Questions which depend upon the Amount of Deficiency Bills. I do not profess thoroughly to understand their Operation; I look only to the total Amount of the Government and the Private Securities—the total Aggregate of the Two. I find that the aggregate Amount of Advances upon Securities was largely increased during a heavy Drain of Bullion, and that it was effected exclusively by a Diminution in the Banking Reserve of the Bank. That is a process which would bring any other Bank into serious Danger, and I think it did bring the Bank of England into a dangerous Position.

1368. Assuming those Securities to consist of Three Elements, namely, Public Securities, Securities other than public, and the Securities held by the Bank which are issued at the Commencement of the Quarter for the Payment of the Dividends,—in other Words, the Deficiency Bills,—if there was an Excess, as there appears to have been in that Quarter, of a considerable Amount of Deficiency Bills, could a Limitation of the Banking Operations have been effected, except by a Reduction upon the other Branches of the Securities proportionate to the Increase which was cast upon them by the Demands of he Government?

I feel some Difficulty in answering the Question, from being doubtful whether I perfectly understand it. It appears by the published Accounts now before me that in the Month of April, during which we are assuming an Advance upon Deficiency Bills, there was always Government Money in the Hands of the Bank of England; the Government Deposits in the Hands of the Bank of England at the Beginning of April were 6,000,000*l.*, and at the End of April they were only reduced to 2,600,000*l.*; therefore it appears to me that the Bank was only called upon to pay to the Government a Proportion, not the whole, of the Government Deposits,—a Process perfectly correct according to every Principle of Banking.

 1369. What

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1369. What was the State of the Foreign Exchanges in the Period to which you alluded,—between January and April?

I presume, of course, the Foreign Exchanges must have been against the Country. There were Five Millions of Gold lost during that Period.

1370. Five Millions of Gold were drawn out from the Bank for the Purpose of being sent abroad?

I think it is almost impossible to distinguish accurately the various Purposes for which Gold is drawn out of the Bank; but I apprehend that there can be no Doubt that at that Period there was one of the severest Foreign Drains upon the Gold of the Bank to which it was ever subjected.

1371. You say that it is not possible to distinguish for what Purposes Gold is drawn out; do not you think it is one of the most important Duties of the Bank Directors to ascertain for what Purpose the Gold is drawn out, and thereby to form a Judgment to what Extent the Drain is likely to go?

I believe that the Attempt on the part of the Bank to anticipate the probable Extent of a Drain of Bullion, and to regulate its Measures accordingly, has usually led to mischievous Consequences. The only safe Rule is to look to the Amount of the Bullion that is deposited in the Issue Department, and to make the Amount of Notes vary according to the Variations in the Amount of the Bullion so deposited.

1372. Will you explain the Sense in which you used the Word "Bullion," when you say that Five Millions of Bullion were sent out of the Country between January and April?

I speak of that which in the published Returns is given as the total Amount of Bullion.

1373. You speak of the Bullion in both Departments of the Bank?

The Bullion in Issue Department against which Notes are issued. The Bullion in the Banking Department is really an Item of very little Consequence; it never varies to any great Amount.

1374. At the same Time that the Exchanges were unfavourable and there was a great Demand of Bullion for Export was there a considerable internal Drain for the Supply of Country Banks or any Persons holding Notes in the Country?

I do not apprehend that there was in the Spring of the Year.

1375 You think that all that the Bank Directors have to do is to look to the Amount of their Liabilities and of their Reserve, and that whether their Reserve is diminished by a foreign Drain or by an internal Drain it equally behoves them to adopt the same Measures?

I consider that in carrying on its Banking Business according to the proper Principles of Banking the Bank of England has only to consider the Amount of its outstanding Liabilities on the one hand, and what Notes it has in its Reserve on the other hand.

1376. You consider that in its Banking Department the Bank should conduct its Banking Business in the same Way whether the Drain is for foreign or for internal Purposes?

I apprehend that the Banking Department should not look to the Causes of a Drain of Bullion, but simply look to the State of the Banking Reserve.

1377. Applying the Question exclusively to the Banking Department, do not you think that the Bank are bound to consider the State of the Foreign Exchanges, and that they have the means of doing so?

I apprehend that in the Management of its Banking Department the Bank in the first instance is to look to its ordinary Banking Condition, namely, to the Amount of its Liabilities and its Means of meeting them, its Means of meeting them being its Securities and Bank Notes in its Banking Till. Beyond that the Bank of England may, without any Impropriety, like every other Person, look to those more distant and uncertain Considerations which may in their Judgment ultimately be likely to affect the Condition of the Concern.

1378. Amongst those do not you think that the State of the Foreign Exchanges is one?

Yes.

1379. It being one of those Matters which they are bound as prudent and intelligent Bankers to consider, do not you think that they have the Means of ascertaining whether the Foreign Exchanges are for or against them?

They have the Means of ascertaining generally whether the Foreign Exchanges are favourable or unfavourable; but I doubt the Power of ascertaining accurately whether all or what Proportion of the Gold lost by the Issue Department is parted with in consequence of adverse Foreign Exchanges.

1380. In what respect is there any peculiar Difficulty in ascertaining whether the Export of Bar Gold from this Country to the Continent would be profitable or unprofitable? How does the Export of a given Value of Bar Gold differ from that of Cotton or any other Commodity?

I do not know that it does differ in any respect in Principle, but the Fact is, that Gold is both coming into and going out of this Country at all Times, and through various Means; and after all a Drain is only a Question of the Balance between the incoming and the outgoing Gold.

1381. In your Examination before a Committee of the House of Commons in April 1840 this Question was put to you: "Do you believe that intelligent "Merchants and Bankers have regard to the Exchanges for the Regulation "of their own mercantile or other Operations?" And your Answer is, "I think "that they have, perhaps not to the full Extent to which it would be de-"sirable, but to a much greater Extent than they used to have regard to that "Consideration." If they have a regard to the State of the Foreign Exchanges to a greater Extent than they had previously, although there may be even during the Time of adverse Exchanges some small Portions of Gold imported, into the Country, can the Bank have any Difficulty in ascertaining what the general Tendency is, and whether the Balance is in favour of the Export or of the Import of Gold?

No doubt under ordinary Circumstances the Bank may form a pretty safe Judgment whether the Gold taken from it is going abroad or whether it is taken for internal Purposes; and certainly Parties largely engaged in mercantile or in Money Operations now look a great deal more to what they think the actual State or the probable future State of the Foreign Exchanges than they used to do. Their Judgment is founded not upon a positive and certain Knowledge of what Proportion of the Gold going out of the Bank is so drawn out by the Foreign Exchanges, and what Proportion by the internal Demand, but upon the general Consideration that there is ground to apprehend a Drain of Gold.

1382. In a Time of profitable Influx of Gold do not the Bank experience a Difference in their own Operations, in the Price at which they can purchase Bullion if they are disposed to purchase it?

I am not conversant with the Operations of the Bank in the Purchase of Gold. For my own Guidance I simply look at the Increase or Diminution of the Bullion according to the published Returns.

1383. But, as far as you are able to judge, to what Extent do you think the Bank have the Means of forming a Judgment whether the Demand upon them is for internal or external Purposes?

I have no doubt that the Bank may exercise a good general Judgment as to the Source from which a Drain of Bullion arises; my Difficulty is, when you propose to establish different Regulations for the Management of the Circulatation founded upon the Distinction between an internal and an external Drain; I then doubt whether you can with any sufficient Accuracy draw such a Distinction.

1384. Was not there an important Distinction between the Pressure upon the Bank in the Month of April, to which your Evidence has already applied, and the Pressure in the Month of October, in respect to the State of the Foreign Exchanges?

No doubt the Drain from January to April was a very severe one; the Drain in October was in a more mitigated Form.

1385. In October was the State of the Foreign Exchanges such as to make that Drain in any Degree a Drain that would have been profitable for Foreign Export?

That I cannot answer.

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1386. Was there not at that Time an Influx of Gold into this Country, and if there was, does not that negative the Possibility of there being any profitable Export of Gold?

No; it does not negative that necessarily. It is perfectly possible that there may be an Influx of Gold from the Continent of Europe, and an Efflux to the United States. If I recollect right, some Years ago that Process was actually going on.

1387. If the Efflux to the United States was not so large as the Influx from the Continent there would be a Balance?

There would be a Balance no doubt.

1388. Your Objection to the Management of the Bank from January to April 1847 is, that the Bank rather increased their Private Securities during the Reduction of their Amount of Bullion?

I would rather put it in a different Way, because the Question mixes the Issue Department and the Banking Department. When I object to the Conduct of the Bank I refer only to the Management of its Banking Business.

1389. What is your Complaint against the Management of the Bank?

My Complaint is, that in the Beginning of 1847 the Bank held a total Amount of Securities of 27,900,000*l.*, and it held Eight Millions of Bank Notes in its Banking Till; that in the Middle of April it had reduced its Banking Reserve to 2,500,000*l.*, which was an unsafe and improper Point to which to reduce it, and that that Reduction of its Banking Reserve had been caused by a large Increase of its Advances upon Securities made during a heavy Drain of Bullion.

1390. You admit of course that a Reduction of the Bank's Advances upon Private Securities is in other Words a Reduction in the Accommodation to the Trade of the Country?

It is a Reduction in all probability of its Advances upon Discount of Bills of Exchange.

1391. Are you not sensible that a Reduction of the Accommodation to the Public in the Shape of Discount or otherwise is always attended with considerable Pressure and Injury to the Trade of the Country?

A Reduction of Discounts is undoubtedly accompanied with Inconvenience, I should hesitate to admit the Word "Injury."

1392. Are not "Inconvenience" and "Injury" rather synonymous?

No; because I apprehend that Pressure on many Occasions, although inconvenient, is extremely salutary and beneficial.

1393. But it presses severely upon Individuals concerned in Trade?

It creates Inconvenience at the Time to them.

1394. Are you also of opinion that Fluctuations between abundant Accommodation on the Part of the Bank at one Time, and very restricted Accommodation on the Part of the Bank at another Time, are very injurious to Trade, and much to be avoided?

There is no doubt about it, that violent Fluctuations in Matters of that Sort are inconvenient and injurious, and it would be desirable that they should be avoided, but we must look to the Causes from which they proceed. Any Attempt to obviate such Fluctuations, without really remedying the Causes which produce them, would only increase the Mischief and not diminish it. When, for example, from any Cause whatever there occurs a great Diminution of the Capital which had been previously calculated upon for carrying on the Trade of the Country, the inconvenient Consequences which arise from that, viz. Contraction of Discounts and rise in the Rate of Interest, are absolutely unavoidable, and any Effort to suppress those Consequences by artificial Contrivances will in the End produce more Pressure and more Inconvenience than would have arisen from leaving them to take their natural Course.

1395. But you do not doubt that it is desirable for the Well-being of the Circulation and Trade of the Country to keep as nearly equal as possible the Accommodation given by the Bank to the Public?

It is certainly desirable that Circumstances should so combine that the trading

trading World should not be subject to any strong or violent Changes, but if the Causes which naturally and necessarily produce Changes are actually in operation it is not desirable by any artificial Means to endeavour to prevent those violent Results.

1396. In fact the Patient, however painful the Operation may be, must submit to it, if it becomes necessary?
Yes.

1397. Returning to the Export of Bullion,—the Bank having at one Time Fourteen or Fifteen Millions of Bullion, and then having it reduced by Four or Five or Six Millions, do not you think it would have been desirable that the Bank should, if it could be done consistently with its Safety, produce as little Pressure and Distress upon the commercial Circulation as possible?
Certainly.

1398. Looking to the Efflux of Gold Coin and Bullion, it appears that through the whole of last Year there was not an Ounce exported either to Holland, to Belgium, or to France, and that in short Gold was exported to very few, if any, of the Ports of the Continent of Europe, with the Exception of Portugal, and that Three Fourths of the whole Export, namely 838,000 Ounces out of a Million of Ounces, were entirely to the United States of America. Would not that be conclusive with you that there could not have been any State of Foreign Exchanges to drain Gold from this Country to the Continent, and that the only Demand which was of any Consequence as threatening the Reserve of the Bank was the Demand for the United States of America?
I have not seen the Paper alluded to, and I know nothing as to the Accuracy of the Facts stated; but if I understand the Question it merely amounts to this, that giving me the Fact that the whole Export of Gold was to the United States it was for the United States only that there was a Demand for Gold. But I know that the Intercommunications between the different Nations of the World, and the Modes of transferring their Debts from one Nation to another through Exchange Operations, are so varied and complicated that I should hesitate in coming to the Conclusion that because the Gold went only to one Country therefore it was with one Country only that we had really an adverse Balance of Trade.

1399. If it went to no other Country than the United States, which are quite distinct in their geographical Position and their Connexion from the Countries of the Continent, does not that pretty clearly indicate that it was an extraordinary local Demand for some particular Purpose, and not an Indication of a generally unfavourable State of the Exchanges of this Country?
I apprehend that there can be no Doubt that during last Year the main Cause of the unfavourable State of the Exchanges was the Import of Provisions; that that Import took place very largely from the United States; and that therefore it was largely to the United States that we had to make the Payment in return.

1400. Supposing the Bank Directors to have had at starting rather a super-abundant Quantity of Coin and Bullion, running to Fifteen or Sixteen Millions, before the Famine or the great Demand for Food came, and the general State of the Exchanges with the Continent of Europe not to have indicated Danger, would it not have been reasonable in them to have formed some Estimate of what might be the probable Extent of the Demand from America for this extraordinary Purpose, and might not they therefore have seen the Departure of Five or Six Millions of Gold without conceiving it to be their Duty to put any great Pressure upon the Commerce of the Country by restricting their Accommodation, supposing they had been acting not under the Act of 1844, with the Issue separated from the Banking Department, but under their old System of Management?
I have no hesitation in saying that under no System of Management could the Bank of England be warranted in permitting a severe Drain of Bullion to continue during Three Months,—a Drain notoriously arising from a most extraordinary Failure of the Crops,—and at the same Time permitting their Banking Reserve to run down to a very low Point, without resorting to some very strong Measures to correct this State of Things.

 1401. Supposing

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1401. Supposing a second Failure of the Harvest had taken place, and that instead of having a very good Harvest at the End of last Year we had had a Repetition of the Calamity of Famine, and we had required a further Supply from America, then every Calamity of that Description must, according to your Principle, be accompanied with such a Contraction of the Circulation of the Country as must throw Things into that Confusion in which we saw them last October before the Relaxation of the Act by the Letter from the Treasury?

I reply to that Question I can only say that a second Failure of the Harvest would, under any Circumstances, have been a most formidable Calamity; but under the Act of 1844 we should have been better prepared to meet it than under the old System. Under the old System the Bullion would have been certainly drained out during the first Year of Famine and we should have had little or no Gold in store with which to face the second Calamity. Under the Act of 1844 we passed through the first Year of Famine with Eight Millions of Gold still in reserve, and we should have had that Advantage at least, and it would have been no trifling Advantage, in meeting the second Calamity, had it occurred.

1402. Of what use can it be to the Bank to have that Reserve of Eight Millions of Bullion for this Purpose, when they are under such a Restriction, that having Eight Millions of Bullion in their Coffers they had a disposable Reserve, at the Period when they were reduced to the lowest, of only 1,170,000 *l.*, and very little more than Half a Million of Notes in the City of London at that Time? What Security has the Public with regard to the Position of the Bank from its having those Eight Millions, if those Eight Millions are rendered totally unavailable to them by the Fact of their being restricted from using them by the Act of 1844?

Perhaps I shall better answer that Question by begging the Committee to draw a complete and effectual Distinction between the Issue Department and the Banking Department of the Bank. Whatever may be the Amount of Bullion in the Issue Department, Notes to the same Amount are put out by that Department, and passed by the Bank of England to the Hands of the Public. The Eight Millions of Bullion alluded to in the Question were represented by Eight Millions of Notes issued to the Public against the Bullion. The Advantage which the Bank and the Public derive at any Time from a large Amount of Bullion in deposit consists in the corresponding large Amount of Notes which are issued to them, and remain at their Disposal against that Bullion.

1403. But in point of fact at the Period before mentioned, namely, on the 3d of October, when the Reserve was at its lowest, the Bank had as its disposable Means only 1,176,000 *l.* of Notes and 4,290,000 *l.* of Bullion; and if there had come on the Part of the Depositors, or of any other Persons having Claims upon the Bank, Claims to that Amount upon the Bank, the Bank would have been brought to a Stoppage with its 8,000,000 *l.* of Bullion in its Coffers?

Confusion arises from not keeping the Issue Department entirely separate from the Banking Department. The Bank, as a Banking Concern, had not 8,000,000 *l.* of Bullion in its Coffers. The Issue Commissioners had 8,000,000 *l.* of Bullion it is true. Against that 8,000,000 *l.* of Bullion they had issued 8,000,000 *l.* of Notes, and the Bank, instead of keeping an adequate Proportion of the Notes so placed at its disposal in its own Banking Reserve, had issued them to the Public to such an Extent that the Banking Reserve was in a very reduced and dangerous Position.

1404. But it was after the Government Letter had been issued that it was reduced to that Amount?

The Principle of my Argument is the same whatever Period you take.

1405. Was not there another Advantage to be derived from that large Amount of Bullion which you state to have been in the Hands of the Issue Department at that Period, namely, that it effectually secured the Convertibility of the Currency?

No doubt that is the Object aimed at, and the Advantage secured, by the Act of 1844. The very Parties who are now complaining that there was a large

large Amount of Bullion lying useless formerly complained that the Bullion had been reduced to so low and dangerous an Amount. Their Complaint on former Occasions I think was perfectly reasonable, but now it seems to me without a Shadow of Foundation; because all the Bullion that is in the Issue Department is represented by Notes in the Hands of the Public, and as the Bullion fluctuates the Amount of Notes in the Hands of the Public fluctuates likewise.

1406. Had we experienced, both in 1825 and 1839, that when the Amount of Bullion to support the Circulation of the Notes was left to the free Discretion of the Bank, that Discretion was so exercised as to endanger the Convertibility of the Circulation?

Undoubtedly. The Act of 1844 arose out of a Feeling on the Part of the Public that on the Three Occasions of 1825, 1837, and 1839, on which the Protection of the Convertibility of the Notes had been left to the discretionaay Action of the Bank of England, that Safeguard had proved altogether unsatisfactory, and the Convertibility of the Notes had been exposed to Danger, the Recurrence of which the Public would not again permit.

1407. Looking at the Management of the Bank upon the last Occasion with reference to its own Reserve, which was to support its Banking Operations, the Bank having no longer the Circulation to support, have we or have we not any Reason to suppose that if the Bank had been allowed to deal freely with the Reserve of Bullion in the Issue Department we should have been exposed to the same Danger as before?

I have no Doubt whatever that if the Bank had not been restrained by the positive Provisions of the Act of 1844 the Continuance of that Course which it had pursued from January to April 1847 would in a very short Time have ended in a Suspension of Specie Payments.

1408. In a Question put to you it was assumed that the Bank was, in October 1847, in possession of Eight Millions of Gold in its Coffers. Supposing it be correct to take the Issue Department as a Portion of the Bank of England, and to admit that the Bank was in possession of Eight Millions of Gold at that Period, do you conceive that it is at all likely that if they had not been placed under the Restrictions of the Act of 1844 they would have been in the Possession of that Amount of Bullion?

No. Had the Act of 1844 not been in existence I firmly believe the Bank would have lost all its Gold in the Summer of 1847.

1409. Therefore any Argument proceeding upon the Assumption that the Bank was, in October last, in possession of Eight Millions of Gold, is based upon an Assumption which is not to be conceded as likely to happen except under the Restrictions of the Act of 1844?

I believe most firmly that if the Act of 1844 had not been in existence the monetary Trial to which the Country was exposed in the Spring of 1847 would have ended in the Exhaustion of the Gold and Suspension of Specie Payments. But with regard to the Store of Gold in the Issue Department it seems to me important that it should be clearly understood that all the Advantages to be derived from that Gold as forming Part of the Circulation are really accorded to the Public through the Representative of that Gold, viz. the Bank Notes. You put the Gold into Store, and instead of the Gold you receive for your Convenience Bank Notes. That being done you must not afterwards say, "But we have got so much gold in the Cellar it is absurd not to use it." The Answer is, "Well, use the Gold, but then give back the Bank Notes which have been issued to you against that Gold, otherwise you want to have both the Notes which represent the Gold and the Gold itself in Circulation at the same Time.

1410. With respect to the Mode in which you estimate the Amount of Bullion; it was put to you, whether the Bank had not a large Amount of Bullion in its Coffers in the Beginning of the Year 1847, and you stated that there were 14,900,000*l.* of Bullion in the Coffers of the Bank; will you explain how you calculate that the Bank had so large a Revenue at that Period in its Coffers?

I take that from the Bank Returns in the Gazette.

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1411. On the 2d of January 1847 it appears that in the Issue Department the Bank had 11,788,000 *l.* of Gold and 2,469,000 *l.* of Silver Bullion; those Two make together about 14,000,000 *l.*?

Yes; and they had 693,000 *l.* in the Banking Department.

1412 Then you take those Three Sums together?

When I speak of the Bullion I take the Amount of Bullion against which, according to the published Gazette Returns, Notes are issuable. On the 2d of January the total Bullion was 14,951,000*l.* and the total Notes were 28,258,000*l.*, that being the Amount of Bullion plus the 14,000,000 *l.* of Notes issued against Securities. But I apprehend that there must be deducted the 693,000*l.* Bullion in the Banking Department, against which Notes were not issued, that Gold being itself in Circulation, not in deposit with the Issue Department. That, by the by, illustrates what I stated in a former Answer. Against that 693,000*l.* Gold which is placed at the Command of the Bank in its Banking Department Notes are not issued, and for this obvious Reason, that if Notes were issued against that Gold, we should be using the same Thing twice over, viz. the Gold, and Notes representing the Gold.

1413. In short, it was your Intention, in answering the Question, to observe the Rule which you had lad laid down with respect to other Questions, namely, that the Issue Department and the Banking Department should be kept quite separate?

Totally separate.

1414. You have stated that you consider that in fact the Operation of this Act did, in the Spring and the Autumn of 1847, contribute to maintain an Amount of Bullion in the Coffers of the Bank, which prevented any Catastrophe; but is it not the Fact that, with all this Amount in the Coffers of the Bank, if on the 30th of October there had come a Demand upon the Bank for Seven or Eight hundred thousand Pounds out of the 8,911,000 *l.* of Deposits the Bank would have stopped Payment; and would not a Stoppage of Payment in the Banking Department have been just as fatal to the Credit of the Bank, and to the Interest of the Community, as a Failure of any other Description; and therefore did not the System of 1844 bring you in fact very close upon the Brink of Danger, by creating an artificial Limit to the Action of the Bank?

I apprehend the Question is this: Whether, notwithstanding that the Act of 1844 maintained Eight Millions of Bullion in the Issue Department on the 30th of October, yet as there was an insufficient Banking Reserve in the Bank at that Time to meet its Engagements, might not the Banking Department have stopped Payment? Undoubtedly that Result was possible; but that Result is in no way chargeable upon the Act of 1844, nor does it furnish any Imputation upon its Efficiency. The Act of 1844 was passed for the Protection of Specie Payments, and that Act seems to me to have done its duty most efficiently under a Trial more severe probably than any to which this monetary System has before been exposed. It maintained in the Hands of the Public an unusually large Amount of Notes, and at the same Time protected the Convertibility of that large Amount of Notes by an Amount of Specie much larger than on any former Occasion of a similar Character. But it was distinctly stated by Sir Robert Peel when introducing the Act that he left the Bank of England in its Banking Capacity untouched and uninterfered with, to manage its Affairs according to its own Discretion, like any other Banking Concern. Whether the Bank of England managed its own Affairs wisely or unwisely, safely or unsafely, is quite a separate and distinct Question, which does not in the slightest Degree touch the Efficiency of the Act of 1844 for the Protection of the Convertibility of the Notes, the only Purpose for which it was really efficient or intended to be so.

1415. But in point of fact the Bank would have stopped Payment if out of 8,900,000 *l.* Private Deposits a Demand had come upon the Bank for less than One Million?

There is no Doubt that the Banking Reserve of the Bank was reduced to an Extent dangerously low.

1416. And

1416. And were not they obliged in consequence of that to put a very heavy Pressure upon commercial Accommodation?

I totally deny that Fact, and I appeal to the published Returns in support of the Denial. At the very Moment spoken of the total Amount of Securities in the Hands of the Bank was 31,000,000 *l.*, and the total Amount of the Private Securities was 20,000,000 *l.*, an Amount almost I believe altogether without a Precedent. Therefore I cannot understand how any Person can say that at that Time the Bank of England was putting a severe Pressure upon the mercantile World, when in point of fact the Notes in the Hands of the Public were to an Amount almost unexampled, and whilst the Amount of Accommodation given to the Public by the Bank in the Form of Discounts was an Amount which I believe had never been known before.

1417. Will you state what was the Rate of Interest at the Time when you say there were 20,000,000 *l.* of Securities at which the Bank was offering Accommodation, or which it was demanding from Persons necessitated to go to the Bank for Accommodation?

The Rate of Interest was high. I think it was Eight per Cent.

1418. You have not seen the Bank Return showing the highest Rate in October to be Nine and a Half per Cent.?

It is impossible to fix the precise Amount, but it was unusually high.

1419. Are you aware of any Parties going to the Bank, and even a larger Amount of Interest than that being asked from them?

I am aware of Applications to the Bank of what I should not call an ordinary or correct Character, where the Bank I think very properly charged a very high Rate.

1420. What do you mean by "Applications not of an ordinary or correct Character"?

I mean Applications from Parties who ordinarily are expected to take care of themselves, and not to have to apply to the Bank for Assistance.

1421. Do not you think that it must put a very severe Pressure upon the commercial World to demand Ten per Cent. for ordinary mercantile Accommodation?

I think it very important to distinguish between a Pressure upon the commercial World arising from a high Rate of Interest, that high Rate of Interest arising from the Want of adequate Capital to support the immense Extent of mercantile and other Operations which have been entered into, and a Pressure put upon the commercial World by any direct Action of the Bank of England. The Bank of England, so far from putting any Pressure on the commercial World, actually endangered its own Position by going to an improper Extent in endeavouring to alleviate the Pressure.

1422. You state, as a Proof that the Bank went to a greater Extent than usual in giving Accommodation, that the Number of Notes in the Hands of the Public at the Time was unusually large. Are you prepared to state that those Notes were in Circulation at the Time?

I apprehend that we must in all scientific reasoning upon this Subject take the Notes in the Hands of the Public to be Notes in Circulation. I know no other Meaning of the Expression.

1423. In the Evidence which you gave before the House of Commons Committee in July 1840 you stated, in reference to the State of Things in the Month of June 1838, "There arose a State of great public Alarm, which acted "in a Manner tantamount to a Contraction of the Circulation." Taking that Principle so clearly laid down by you into account, would the Amount of Notes which had been issued from the Bank measure the actual Amount that were in actual Circulation at that Time?

I consider that the Amount of Notes in the Hands of the Public and the Amount of Notes in the Bank Till constitute the Amount of Notes in circulation. It is perfectly true that the Circulation may be in a more active or in a more dormant State. It is perfectly true that the same Amount of Notes will at different Times be more efficient in performing the Functions of Circulation, that in proportion as Confidence is firm the Circulation is more efficient, and as Confidence is shaken Circulation becomes less efficient. A diminished Efficiency of Circulation and a Contraction of the Amount in Circulation may in some

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some respects produce the same Results; but they are still totally different Things.

1424. At the Period of Time to which your late Evidence has applied, in October 1847, was there not a great State of Alarm, which acted in a Manner tantamount to a Reduction of the Circulation?

In October there was a great Disturbance in the State of Confidence, which rendered the Circulation less efficient for its Purposes.

1425. Does not such a State of Disturbance of public Confidence necessitate an Increase of the Reserves which all Men under great pecuniary Engagements must keep in order to answer those Engagements?

In a Period of disturbed Confidence the Reserves of Bankers are augmented.

1426 Within your Experience do you know any Time in which there was a greater Disturbance of Credit, so as to necessitate an Increase of the Reserves, than there was in that Month of October 1847?

I believe that the Disturbance of Credit was greater and more widely spread in 1825 than it was in 1847.

1427. But it was very great in 1847?

Certainly.

1428. Then if the Circumstances of the general Commercial and Banking Interests were such as to produce an Effect upon the Circulation which was tantamount (using the Words which you used in 1840) to the Contraction of the Circulation, can the Committee infer from the actual Amount of Notes out that the Pressure was not felt and that the Circulation was adequate?

I do not like combining those Two Things. I cannot say that the Pressure was not felt, because there is no Doubt that there was a very severe Pressure felt in October, but it does not follow from that Admission that the Circulation was inadequate. Various Meanings may be attached to that Expression, and it is upon those Meanings that the whole Question will turn.

1429. You have referred to the Increase of Circulation and the Increase of the Securities as a Proof that there was sufficient Accommodation given?

I referred to it as showing that there was as much Accommodation given as could be given under the Circumstances. I do not say sufficient Accommodation, if by "sufficient" is meant sufficient to allay the Pressure.

1430. You have referred to those Facts as being the Exponents of the Amount of Accommodation which was given; but if contemporaneously with that there was a Diminution in the Activity of the Circulation which was tantamount to its Contraction, is there any Mode of distinguishing between those Effects which would have arisen from actual Contraction and those arising from the Operation of an Agent which was tantamount to Contraction?

Some of the Effects will be common to the Two Causes; of course those cannot be distinguished, but it seems to me that if there had not been that diminished Efficiency of Circulation to which my Expression was applied, as being tantamount to a Contraction of the Circulation, we should not have succeeded in protecting our Specie Payments. The Amount of Notes in the Hands of the Public was not diminished. I think unless there had been a diminished Efficiency of those Notes in discharging the Purposes of Circulation we should not have maintained Specie Payments.

1431. You stated that a Want of Confidence is tantamount to a Contraction in the Circulation?

It produces a diminished Efficiency in the Circulation.

1432. Do not you think that anything which produces that Want of Confidence is objectionable?

I think that anything which produces Want of Confidence is per se undesirable.

1433. Should not you, as a Banker, having an Amount of Exchequer Bills and other Securities, look to the State of the Reserve in the Bank of England in conducting your Business?

I think it most important to attend to that Consideration.

1434. And the Knowledge that the Bank cannot issue beyond a certain Amount of Notes may induce you to realize your Securities?

Considering the great Magnitude of the Operations of the Bank of England and

and the Extent to which all subordinate Concerns look to it, and in some Degree depend upon it, any Diminution of the Banking Reserve of the Bank of England is important; it is certainly calculated to excite Attention, and to put all Parties upon their Guard.

1435. Were you rightly understood to say that if there had not been a Diminution in the Efficiency of the Circulation the Bank would not have been able to secure the Convertibility of its Paper?

I meant to state substantially that I thought that the Protection to the Bullion against the Effect of the Drain was derived upon this occasion more from the diminished Efficiency of the Notes in the Hands of the Public than from the actual Diminution in the Amount of them. If we take the Notes with the Public and the Notes in the Banking Till together, then of course the Amount of the Circulation so understood necessarily diminishes with the Decrease of the Bullion.

1436. Is not your last statement strictly coincident with and explained by an Answer which you gave in 1840, in which you stated that the Stoppages and the Drains of 1838 and 1839 "arose from a great State of public Alarm which "tended to render a certain Quantity of Circulating Medium less effective for "its Purposes" than it would otherwise have been?

That Answer has reference to the same Principle.

1437. Both that Answer and your present Evidence assume that a given Amount of Circulation has a different Effect at different Times according to the State of Credit?

A given Amount of Circulation is no doubt more or less efficient according to the existing State of Credit.

1438. Does not the Circulation act upon Prices, and does not it act upon the Foreign Exchanges of the Country not merely in proportion to its Quantity but in proportion to its Efficiency likewise?

The Efficiency of the Circulation is one of the Considerations demanding Attention when we enter upon the Question of the Effect of the Circulation upon Prices and upon the Exchanges.

1439. You admit the Fact that any given numerical Amount of Notes out may under different Circumstances be in excess or not in excess, or, in other Words, that there is no judging of the Propriety or Fitness of the Amount of Notes out by their numerical Quantity?

Then I am afraid I have been totally misunderstood in my Answers. The numerical Quantity, that is to say, the Proportion of Notes to Bullion in Deposit, I consider an essential determining Circumstance in reference to the Question whether the Notes out are too many or too few, whether they are in excess or not in excess, whether they are of the proper Amount or less than the proper Amount. What I stated is, that according to the existing State of Credit any given Amount of Notes may be more or less efficient, as also any given Amount of Coin may be more or less efficient. I take it that the Paper Circulation is to be the same in Amount as a Metallic Circulation, and a Metallic Circulation will be more or less efficient according to the State of Credit and of Confidence. If under a diminished State of Confidence a Metallic Circulation becomes insufficient for its Purposes, the Consequence will be that an additional Supply of the precious Metals will be brought into the Country, and thus increase the Circulation.

1440. You must have seen in your own Time Instances where there has been Discredit of Country Banks, and where, for the Purposes of obviating that Discredit, they have drawn a much larger Amount of Bank of England Notes than they usually wanted, and perhaps in many Instances more than they were likely to want from mere Apprehension. Supposing, for instance, when Mr. Brodie's Bank broke at Salisbury an Alarm had gone through the Country Districts, and the Country Banks had sent, one for 10,000 *l.*, and another for 20,000 *l.*, and in that Way a large Amount of Notes had been demanded from the Bank of England for the Purpose of meeting Discredit in some Cases, and for the Purpose in other Cases merely of guarding from Fear and Apprehension timid Men in their Business, as Bankers; under those Circumstances might not several Millions of Bank of England Notes be

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required for a particular Case of that Description, which might be safely issued without any Apprehension of such an Issue of Notes bringing a Drain on the Bank of England for Gold, particularly having reference to the Case of 1825, when you will probably recollect that in a Period of Distress the Bank, having nothing remaining in its Coffers, re-established Credit and Confidence in the Country by a large Issue of Bank Notes?

It is possible no doubt that the Course of Events assumed in the Question may occur. The same Combination of Circumstances might also take place with a Metallic Currency. All that a Paper Currency pretends to do is to give to the Public the Convenience of Paper Money, when they would otherwise have the mechanical Inconvenience of using metallic Coin. Destruction or Diminution of Confidence, producing serious Inconvenience, may arise in various Forms either with a Metallic Currency or a Paper Currency. If it is intended to raise the Question whether a Paper Circulation may be so arranged as to give to the Public Conveniences and Ease under a Restriction of Credit and Confidence which metallic Money could not give to it, then that Question must be regularly and distinctly followed out into all its Details. I confess that I very much doubt whether that be practicable. I think the Attempt would involve a Danger much greater than the Benefits which would attend it. Confidence may be disturbed from various Causes under a Metallic or under a Paper Circulation, and when so disturbed, the Circulation, under any conceivable System of Management, may prove insufficient for obviating all the inconvenient Consequences. For instance, suppose a Panic seized the great Mass of Depositors in this Country; we know that an Issue of Twenty, Thirty, Forty, or Fifty Millions of Money might not be sufficient to meet the Difficulty. Suppose again, that One Half of the existing Country Banks failed, there is no Doubt that there would be a Demand for Currency under those Circumstances which a Metallic Circulation would not supply, and which a Paper Circulation, regulated upon any Principles that I believe to be safe for ordinary Purposes, would be insufficient to meet. Those are peculiar and extraordinary Emergencies, possible but not reasonably probable Contingencies, which you may imagine, but which, if they occur, will probably assume a Form which has not been anticipated, and which can only be provided for by some extraordinary Measure at the Moment. No prospective Provisions would probably be found to meet the real Difficulty that occurs.

1441. But in the Year 1825 we did meet the Difficulty by the Issue of a large Amount of Paper beyond that which would ordinarily have been prudent on the Part of the Bank, the Bank at the Time knowing that the Foreign Exchanges were not unfavourable, and that the Paper was merely wanted to stay the Panic in the Country, and was not likely to come upon them for Payment in Specie. Is it not then desirable that the Bank should in all its Transactions have the power of considering all the Circumstances of the Position in which it stands, and of determining whether there is, upon a Consideration of all its Circumstances, any Danger in issuing a certain Amount of Paper at one Time which might be dangerous at another; and if that be so, is not that Discretion entirely taken away from the Bank by the Act of 1844, which proceeds merely upon the Figures without any Consideration of the attending circumstances?

The Occurrences of 1825 constitute a very peculiar Case. There existed then a large Mass of Country Banks issuing Paper Notes without any Restriction or Control. Whilst that System was in existence it was impossible to place the Paper Circulation of the Bank of England upon any satisfactory Principle. The Phenomenon which then occurred was this; in one Week there occurred a Destruction of about Seven Millions of the Issues of Country Banks, and the Bank of England did not at that Time really increase the aggregate Paper Circulation of the Country, although it put Seven Millions of Bank of England Notes in the Place of those Seven Millions of Country Bank Notes which had been suddenly and abruptly destroyed. That no doubt was an Action which you could not bring under any Principle, because the State in which the Country Issues existed at that Time was amenable to no Principle. It is presumed that under recent Regulations those Country Issues are sufficiently protected from the Recurrence of the Catastrophe which took place in 1825.

1442. Are

1442. Are not those Country Bankers just as much exposed to be run upon by their Depositors as if they were Issuers of Notes, and may not a Country Bank be just as much in want of Bank of England Paper even if it does not issue any Notes at all?

The Question appears to confound the different Functions of issuing and of banking. A Banking Concern, which is also an issuing Body, may no doubt have a Pressure upon it arising either from a Destruction of Confidence in its Issues or arising from Calls in its Banking Business.

1443. You have stated that the large Issues of the Bank in 1825 are to be regarded to a great Extent as a Substitute for Notes withdrawn rather than any positive Addition to the Circulation, but can you say in what State the Foreign Exchanges were at that Time, whether they were not at the Period when that Substitution took place in favour of the Country?

I speak with some Hesitation about the State of the Foreign Exchanges in 1825. My Impression is, that the Foreign Exchanges then took that Course which they ordinarily take under such Circumstances; that in the early Part of the Year they were against this Country, that the Pressure which occurred corrected those Foreign Exchanges, and that just at the last Stage of the Pressure the Foreign Exchanges turned and became favourable.

1444. Assuming the Exchange to have been in favour of England at that Time, would not that Operation of the Bank issuing Seven Millions of Notes, whether they were in substitution on in addition, have been a safe one; and if there had been an adverse Exchange would it not have been an unsafe one?

No, I think not. If there had been an adverse Exchange it would have been necessary that there should be a Contraction of the aggregate Circulation. But a Substitution of one Form of Circulation for another under such peculiar and exceptional Circumstances as those of 1825 would have been quite a separate Transaction, independent of and not to be regulated by the same Principle as that Contraction of the aggregate Circulation which an adverse State of the Foreign Exchanges would have necessitated.

1445. But supposing it may be inferred from your Answer that with those adverse Exchanges a Contraction of the Circulation would have been required to preserve the Convertibility of the Paper, would not a Substitution of Notes by the Bank to the full Extent of the Notes withdrawn have been the very Opposite of that Contraction, namely, the Maintenance of the Circulation at its former Amount?

That arises from blending Two Transactions together. To understand the real Rationale of them we must view them separately. If the Exchanges were against us it was necessary that the aggregate Paper Circulation of the Country should be contracted; but if during that Process a complete Destruction of the whole Paper Circulation of Country Banks took place, I take it that looking at that Fact quite separate from the other Consideration, it was right in every Sense and safe that the Bank of England should substitute its own Notes in the Place of the Country Notes so destroyed. But then whatever Contraction was previously incumbent upon the aggregate Circulation formed of the Bank of England Notes and the Country Notes together would then be incumbent upon the Bank alone, and that must be effected.

1446. Supposing, for Example sake, that the Circulation anterior to the Failure of the Country Banks had been Twenty-five Millions, and that that was a Circulation which required Contraction in reference to the State of the Exchanges, and that Five Millions forming the Country Circulation is withdrawn, and Five Millions of the Bank of England Paper substituted, would not the Twenty-five Millions then consisting altogether of Bank of England Paper have required, for the Sake of securing Convertibility, the same Process of Contraction which the Twenty Millions of Bank of England Paper, plus the Five Millions of Country Paper, would have required?

Undoubtedly.

1447. Would not a different Operation with respect to the Amount of Notes issued be rendered necessary and prudent in a Case in which the Exchange is adverse to the Country, as compared with a Case in which the Exchange is favourable to the Country?

The Two Things are separate and distinct. It seems to me that we are merely

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merely discussing about the Mode of expressing ourselves; there is no real Difference of Opinion. Under an adverse Exchange the aggregate Circulation ought to be contracted; but it is possible that under an adverse Exchange there may be a Substitution of one Portion of the Circulation for another Portion, which may be effected without reference to the other and distinct Duty of contracting the aggregate Amount of the Circulation.

1448. Under an adverse Exchange the Circulation ought to be contracted, under a favourable Exchange no such Necessity exists?
Exactly.

1449. Does the Act of 1844 in any Shape whatever recognize the Principle of making any Difference according to whether there is an adverse or a favourable Exchange?
It recognizes the Principle as tested by the State of the Bullion. The Act of 1844 simply proceeds upon this plain Principle: It says, We will give to the Public Fourteen Millions of Notes issued upon Securities without any reference to Bullion; after that we leave the Public to decide for themselves what additional Quantity of Circulation they will have; whatever Quantity of Bullion they choose to place in the Issue Department shall be returned to their Hands in the more convenient form of Notes. The Public may then decide for themselves what Quantity of Notes they will have, by bringing more or less Bullion to the Issue Department.

1450. Then the principle of the Act of 1844 has reference purely to the Amount of Bullion at any one Time as compared with another Time, and has no reference to the Question whether that Bullion has increased or diminished by the Action of the Foreign Exchanges or from any other Cause?
The Act of 1844 substantially does not look to the Causes of an Increase or Diminution of Bullion. It merely says to the Public, If you like to have the Bullion coined, and to use it in that Form, you shall have it; if you do not like that, and like to deposit your Bullion in our cellars, you shall have the Convenience of having Notes in its Stead.

1451. Yet in a previous Answer you were understood to state that under adverse Foreign Exchanges a Contraction of the Circulation might be required which would not be required if the Exchanges were favourable. Do you consider that under adverse Exchanges a Contraction of the Circulation might be indispensably necessary with a view to preserve Convertibility, which in a State of favourable Exchanges and influx of Gold would not be required with a view to preserve Convertibility?
There is no Necessity for a Contraction of the Circulation whilst Gold is coming in.

1452. Then supposing the Exchanges favourable to this Country, with a Demand for Gold upon the Bank for internal Purposes, the Exchanges being favourable, must there not under the Act of 1844, be a Contraction of the Circulation tantamount and just in the same Degree as if the Demand was for foreign Purposes?
I apprehend that upon that Supposition there is no Contraction of the Circulation. The Bullion in Deposit is not in Circulation; the Notes put out against that Bullion are in Circulation; but the Moment the Bullion is taken out of Deposit for internal Purposes it becomes Part of the Circulation; that is the very Meaning of the Distinction of internal Purposes as contrasted with foreign Drain; therefore you would actually increase the Circulation unless the Bullion so taken out and put into Circulation is met by a corresponding Suppression of the Notes. The Notes that are out represent the Bullion that is in Deposit; consequently if without any Diminution of those Notes you take Bullion out, not to go abroad, but to be added to the Circulation, you actually increase the Circulation to that Extent.

1453. Is there any Difference in the Action of the Bank Act of 1844 between what would take place whether the Drain is for internal or for external Purposes?
No, there is no Difference in the Act of 1844, but there is a great Difference in the Effect of the Action of the Public in the Two Cases. If the Public takes Gold out of the Issue Department for the Purpose of Foreign Export, that

that Act adds nothing to the Circulation of the Country, but if the Public takes Gold out of the Issue Department for the Purposes of internal Circulation, unless there is a corresponding Contraction in the Notes the Circulation of the Country would be increased to that Amount. Consequently, that is not the Effect of the Act of 1844, but it is the Act of the Public; if they take Bullion out for Foreign Export, that Act does not add to the Circulation; if they take Bullion out for internal Purposes, that Act does add to the Circulation.

1454. You do not suppose that Gold is taken out for internal Purposes for what may be termed Circulation. If it is taken out at all, is not it most probable, and almost certain, that it must be taken out for the Purpose of hoarding against Panic, or for an Increase of Reserves?

I apprehend that Coin or Notes are properly said to be in Circulation whenever they are discharging any of the various Functions of Money. It seems to me a Fallacy to say that "Money in Circulation" means only that which is actually in motion; it means that which is used or retained for any of the Purposes in which Money is required. I believe that the most efficient Form in which Money can subsist is in Banking Reserves, far more than when in the Possession of private Concerns or of Individuals.

1455. Supposing a given Sum, say a Million, is ordinarily required for the Circulation of any given District of Country, and a Panic suddenly comes in that District, and that Million is increased to a Million and a Half, would not you say that that District takes Half a Million more Circulation than is wanted for what may be technically and strictly called the Purposes of Circulation?

By assuming various Combinations of Circumstances, which are accidental, and subject to no Principle, we may create interminable Difficulty and Confusion in reasoning. In the Case put, all that can be said is that Half a Million more Circulation will be required at one Time than at another. It may be, as I have already stated, that under different States of Confidence Money may pass from Hand to Hand less freely, or in other Words that each Individual may think it necessary to keep a larger Proportion, and that therefore a greater Quantity of Money may become necessary for performing with the same Degree of Convenience the same Quantity of Purposes.

1456. And that under certain Circumstances there may be Issues to a larger Extent in Paper than under other Circumstances it would be prudent to make?

But before you issue more Paper, which I always look upon as nothing more than a Representative of Gold in Deposit, those certain Circumstances should bring in the Gold. If the Circulation be contracted virtually by Discredit, let the legitimate Effect be shown in bringing Gold into the Country, and against the Gold so brought in issue more Notes. But do not issue Notes as the Representative of Gold until you have got the Gold in the Country to be represented.

1457. When does Gold come in? Does it come in under an adverse Exchange or under a favourable Exchange?

Of course under a favourable Exchange.

1458. Then would not the Issue of Notes be dependent upon whether the Exchanges were favourable or unfavourable?

Yes.

1459. Is it not then saying the same thing?

I do not understand the Question. You want to put the Issue of Notes first, and to calculate that Gold is to come in afterwards. I say, No; let me have the Gold in first, before I issue Notes, which are or ought to be Certificates of the Deposit of the Gold.

1460. Do you think that the Amount of Bullion which is returned by the Bank can be taken as more than the best Exponent you have of the State of Influx or Efflux of the precious Metals in and out of the Country?

I take the State of the Bullion in the Bank to be a correct Exponent of the Portion of the precious Metals which the Public choose to have converted into Money.

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1461. In your Evidence in 1840 you stated, in reference to the Amount of Bullion in the Bank, that "the Object is to ascertain, by the best Means "placed within our Reach, what are the Fluctuations in the Bullion arising "from the Influx and Efflux out of this Country;" does not that refer distinctly to the State of the Bullion as exhibited by the Foreign Drain?

It would perhaps have been better to have omitted the last few Words of that Answer. When I gave that Answer, the Idea of drawing Distinctions as to the Mode of treating the Bullion in Deposit, classifying it under that which comes in and goes out for domestic Purposes, and that which comes in and goes out for foreign Purposes, and proposing to regulate the Issue of Notes differently according to those Circumstances, had not been suggested to me; but really it seems to me that the Discussion of this Point is going a great deal further than is at all necessary. I look upon the Principle of the Act of 1844 to be this, that it leaves the Community at large to determine for themselves what Quantity of Money they want, and what Quantity of Money they choose to have; it offers no Impediment to the Import into the Country of such a Proportion of the precious Metals of the World as the Action of free Commerce shall determine; it then says, of the precious Metals so brought into this Country the Public shall determine, by reference to their own Wants, what proportion they will place in the Issue Department of the Bank for the Purpose of having it converted into Money. And then the Act says, For the Bullion which is so brought into the Issue Department for the Purpose of being converted into Money we will give you the Convenience of having Notes representing that Bullion, instead of having the heavy and inconvenient Metal itself. That really is the Sum and Substance of the Act, in which there is no Mystery and no Complication.

1462. Do you think that the Observations which are made in the Bullion Report, and in Mr. Thornton's Work upon Paper Credit, drawing a Distinction between what ought to be the Action of the Bank in Times of internal and in Times of external Drain, are founded upon Error?

I think it very possible that the Author of the Bullion Report, or that Mr. Thornton, directing their principal Attention to a great Principle, may have expressed themselves with reference to some subordinate Considerations in Language which, if those subordinate Considerations had been brought more pointedly under their Consideration, they would qualify and revise.

1463. What would you state as the Cause of the Efflux of Gold from this Country to Foreign Countries?

That it is a cheaper Commodity to export than any other. If Bullion goes out of this Country it is because a Foreign Payment can be made more profitably in Bullion than in any other Commodity.

1464. Would it not be evident when Bullion was exported from this Country that there was an Excess, or, in other Words, a Depreciation of the Currency in this Country as compared with Foreign Countries?

It would be evident that Bullion was a cheaper Commodity to export than other Commodities.

1465. What would be the Causes to which you would attribute an internal Drain for Gold?

The Causes are endless.

1466. Are they not entirely distinguishable from the Causes which would produce a Foreign Export?

Certainly.

1467. Does not the Act of 1844 deal with the Two Things, though proceeding from different Causes, in the same Manner?

I do not think the Act of 1844 deals with either of them. The Act of 1844 merely says, Whatever Quantity of Gold any person in the United Empire chooses to place in the Issue Department we will give them Bank Notes to represent it as a Matter of Convenience; and if Gold is required, whether for internal or foreign Purposes, we will deliver it upon receiving back the Notes issued against it.

1468. Supposing there were a Drain of Gold for internal Purposes, and the Use made of that Gold was such as to reduce the Circulation by hoarding considerably, would not that have an additional Tendency to increase the Supply of Gold by Influx from other Countries?

No doubt; a diminished Efficiency of the Circulation tends to affect the Foreign Exchanges, and through that Effect upon the Foreign Exchanges to bring Gold into the Country, and thus in a legitimate Mode to augment the Circulation of the Country.

1469. You think that to leave the Operation to the natural Process which would take place under a Metallic Currency is much more safe for the Community than to entrust a discretionary Power upon the Subject to anybody?

I consider the Act of 1844 is founded upon a Recognition on the Part of the whole Community that discretionary Management of the Circulation had been tried and had completely failed, and that some certain Mode of regulating the Currency must be resorted to.

1470. Opinions have been quoted from Persons of Eminence upon previous Occasions. You are no doubt well acquainted with the Writings of the Persons whose Opinions have been quoted; would you be disposed to say that the Distinctions which they drew were Attempts to attain an Object in the Management of the Currency somewhat similar to that which has been established by the Act of 1844, namely, to lay down some certain principle by which the Bank of England should regulate their Issues?

Yes. I apprehend that with all the distinguished Men who have applied their Minds to the Subject it has been a continued Endeavour for a Length of Time past to subject the Currency of the Country to some certain and fixed Rules; that Defects have from Time to Time been discovered, to which Remedies have been applied, and the Act of 1844 was the last Attempt to remedy the last Defects which Experience had proved to exist.

1471. With reference to the distinction between an internal and an external Drain, do you think that a Distinction of that kind, if it had been laid down, would have been as effectual for the proper Regulation of the Currency as a Separation of the Two Departments of the Bank of England, and Provisions which subject the Issue of the Bank of England to the same Regulations as a Metallic Currency?

I do not think there can be any satisfactory Regulation founded upon the Basis of drawing a Distinction between an internal and external Drain. There is an Ambiguity in the Use of the Word "Drain;" it ought to be applied only to a Demand for Gold, not to a Demand for Notes. If Gold is taken out of the Issue Department for any purpose that is justly called a Drain, that Drain ought to be met by a Contraction of Notes; because if that Gold goes into the Country for Circulation it becomes an addition to the Circulation, and ought to be met by a corresponding Contraction of the Notes, so as to keep the Circulation where it was before.

1472. Were you rightly understood to say, that if in October 1847 there had not been a Diminution of the Efficiency of the Circulation the Convertibility of the Paper would not have been secured?

A Diminution of the Efficiency of that Portion of the Circulation which was in the Hands of the Public.

1473. That happened under the Regulations of the Act of 1844. Then if that was the Case the Act of 1844 does not under all the Circumstances secure the Convertibility of the Paper?

I think it does secure the Convertibility under all Circumstances, because the Diminution of the Efficiency of the Circulation was certain to occur through the Provisions of the Act of 1844.

1474. Will you have the goodness to explain how it was certain to occur?

Because, by the Provisions of the Act of 1844, the Reserve in the Banking Till was necessarily undergoing a severe Diminution.

1475. You stated the Circulation of the Bank at that Time was larger than at any previous Period?

What I stated was, that the Amount of Notes in the Hands of the Public

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was larger than usual, and that the Protection of the Bullion arose from the diminished Efficiency of those Notes. But the Question is, what caused the diminished Efficiency of those Notes? It was caused by the Effect produced upon the Public Mind by the Knowledge of the diminished Amount of the Banking Reserve of the Bank of England. Whenever the Public see the Banking Reserve of the Bank of England largely diminishing Confidence will be shaken, and the Efficiency of the Notes in the Hands of the Public will be diminished, and for the certainty of that Operation the Act of 1844 makes the most absolute Provision.

1476. Do you conceive that that is a certain Operation in all Cases?
Yes.

1477. You can conceive no Case in which it would occur that the Efficiency of the Circulation would be diminished without any reference to the Quantity of Bullion in the Hands of the Bank?
That may be possible. But the Question put to me referred to the diminished Efficiency of the Notes consequent upon a Drain of Bullion. Assuming any given Amount of Bullion, that is represented by Notes, a Portion of those Notes are in the Hands of the Public, and a Portion in the Banking Till of the Bank. Now, the Question assumes a Drain upon the Bullion, which is met by keeping the Notes in the Hands of the Public undiminished; therefore, to whatever Extent the Drain acts upon the Bullion, to the same Extent it must Act in diminishing the Notes in the Till of the Bank. That Diminution of Notes in the Till of the Bank will act upon public Confidence, and through that Action upon Public Confidence it will render the Notes in the Hands of the Public, though undiminished in Amount, less efficient in their Action.

1478. You stated that in October 1847 a Diminution in the Efficiency of the Circulation did take place. Do you mean that a Diminution in the Efficiency of the Circulation could not take place under any other Circumstances but Diminution of the Bullion in the Hands of the Bank?
No, I do not mean to state that; it may take place possibly from other Circumstances also.

1479. Then, although you consider that under the existing State of the Issues at that Time, the Convertibility of the Paper would not have been secured, unless there had been a Diminution in the Efficiency of the Circulation, it does not follow that there are not Occasions on which the Convertibility of the Paper would be endangered by the Restriction of the Act of 1844?
I do not feel the Force of the Reasoning. I can only re-state my former Answer: that under the Provisions of the Act of 1844, whenever there is a Drain upon the Bullion there must be a Drain upon the aggregate Notes out of the Issue Department; that a Diminution of the aggregate Notes out of the Issue Department may by the Bank of England be made to fall entirely upon the Notes in the Banking Till, so as to keep the Notes in the Hands of the Public undiminished. If it be so managed, as was the Case from January to April 1847, the Effect will be a serious Diminution in the Banking Reserve of the Bank, and that Diminution in the Banking Reserve of the Bank will necessarily shake public Confidence, and by shaking public Confidence you render the Notes in the Hands of the Public, although undiminished in Amount, yet much diminished in Efficiency. Therefore the Act of 1844 does afford a great Protection, through that Process, to the Bullion.

1480. Do you consider the Interposition of Her Majesty's Government in the Month of October to have been necessary at that Time?
I think the Intervention of the Government at that Time was necessary.

1481. What do you think would have been the Consequences if that Intervention had not taken place?
I apprehend the Consequences would have been that the Panic which had seized the public Mind would have gone to such an Extent as to produce very serious Confusion.

1482. If that be admitted to be the Case, should not the Committee conclude from that that the Act of 1844 should not be suffered to continue in force, or at least, that if continued in force there should be the Power of Relaxation which you state upon the present Occasion to have been so effectual?

I do not think that would be a right Conclusion to draw from the Admission.

1483. Did not the Interposition of Her Majesty's Government, so far as its Recommendation went, amount to a practical Departure from the Principles of the Act of 1844?

It was a Departure from the positive Provisions of the Act of 1844, but not a Departure I think from the Principle of that Act. It appears to me that the Provisions of the Act of 1844 are sufficient for every Purpose which can be considered as subject to any definite Principle. But it is possible that Circumstances may occur under the Influence of Panic of such a Nature that no Principle whatever can be applied to them,—Circumstances which cannot be foreseen nor provided for by any previous Arrangements, and which must therefore be dealt with according to the peculiar Character of the Emergency when it occurs.

1484. And upon the Responsibility of those who interpose?

Under the Responsibility of the Government.

1485. You have stated that such an Interposition may be necessary under Circumstances of Panic; are those Circumstances of Panic Circumstances arising from an internal Drain for the most part?

I am more disposed to consider the internal Drain an Effect than a Cause of the Panic.

1486. Do you conceive that you can at one and the same Time rely upon the Act of Parliament of 1844 as containing within itself the Elements of Safety, and yet justify the Act of the responsible Government in sanctioning and recommending a Deviation from it?

Undoubtedly I do. I apprehend that we have many Acts of Parliament still retained upon the Statute Book of this Country of which the Legislature has sanctioned the Violation at Times of peculiar Emergency under the Authority of the Government of the Day.

1487. The Question does not refer to whether the Government were right or wrong in issuing the Letter; but the Question is, can we at once justify the Letter, which is a Deviation from the Act of 1844, and justify the Act of 1844, which is at variance with the Letter?

I apprehend that we can. There are Precedents in abundance in the History of this Country for that Purpose; namely, justifying the Government in suspending the Provisions of an Act of Parliament which Act of Parliament is still retained as useful and efficient for its Purposes. We justify the occasional Suspension of the Habeas Corpus Act, and still venerate that Act as the Safeguard of our Liberties.

1488. Do you consider the Principle of the Act to remain intact, and one upon which Reliance can be placed, assuming it to be just, after it has been departed from in a Time of Exigency?

I apprehend that the Principle of the Act does remain perfectly intact. The Principle of the Act is to regulate and control all those Actions upon the Bullion which arise from legitimate Causes, and are capable of being controlled by Measures which rest upon Principle. But there may be Actions upon the State of the Circulation arising from accidental Causes, as Panic, and therefore not controllable by Principle, which the Act cannot regulate, and which must therefore, if they run to an excessive Extent, be reached by some extraordinary Power.

1489. In your Evidence in July 1840 you stated, in reference to this Subject, that when an internal Demand is raised, there is no Principle upon which you can stop that. Does that illustrate the Argument that is to be deduced from your later Answers?

I hardly perceive the Drift of the Question; but there is no doubt that the Act of 1844 goes upon the Principle of maintaining the Convertibility of the

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Notes, by maintaining them always at the same Amount that a Metallic Currency would have been, and that a Metallic Currency never could be drained out of the Country. But it is perfectly possible that such a Shock to Confidence may take place as to cause a Demand for the Conversion of Notes into Gold which could not be satisfied. For instance, the Act in allowing 14,000,000 *l.* of Notes to be issued unrepresented by Bullion, and at the same Time declaring those Notes to be convertible, no doubt leaves the Paper Circulation of the Country open to the Contingency of a possible Extent of Panic which shall produce such a Demand for the Conversion of Notes into Gold as cannot be met. But that would be a Demand not arising from any thing improper or defective in the State of the Circulation. Notwithstanding therefore that the Act does leave the Notes unprotected in that Sense of the Word, still I consider that that Provision of the Act is perfectly defensible, and that, should the supposed Contingency occur, it would in no respect invalidate the Principle of the Act.

1490. Upon what Principle do you conceive the precise Sum of 14,000,000 *l.* to have been adopted as the Measure of the Surplus?

I apprehend it was this,—that the Framers of the Act looked at the Returns of the State of the Circulation through past Periods, and they found that the lowest Amount to which the Circulation had ever been reduced would allow 14,000,000 *l.* of Notes to remain with the Public, and also an adequate Quantity to supply the Banking Till of the Bank. For instance, assuming that the Circulation had never been reduced so low as 17,000,000 *l.*, and also assuming that it never will again be reduced lower than it has been reduced, they came to the Conclusion that in the worst Circumstances we may safely have 14,000,000 *l.* unrepresented by Bullion and Three or Four Millions in the Banking Till.

1491. So that if by any Accident, from any of those extraordinary Circumstances which you admit to be possible, a Drain came upon the Bullion of the Bank of England, and it were really to come down to a Million or to Half a Million, the Bank would be obliged under this Act to bring down its Circulation of Paper to Fourteen Millions and a Half?

No doubt; but when you are dealing with Suppositions, and not with Facts, you must always take care that the Supposition is a reasonably possible one. The Act is based upon the Belief that that is not a reasonable and possible Supposition; that long before the Notes were reduced to the Amount supposed there would be such an Action upon the Foreign Exchanges as would cause Bullion to come back to this Country; that the Gold in fact never could be reduced to the low Amount assumed in the Question.

1492. Had you not actually the Case in 1825 of the Bullion being reduced below 500,000 *l.*, when the Public were relieved by a large Issue? If, on the contrary, at that Time the Bank had taken the other Course, and brought down their Issue of Bank Paper to Fourteen Millions and a Quarter, what would have been the Condition of the Country?

If we had had the Act of 1844 at that Time we could not have reached that State of Things. The Question assumes that under the Act of 1844 a State of Things will arise the Possibility of which is prevented by the Act of 1844.

1493. You admit that the Interference of the Government upon the present Occasion was justifiable. Therefore, supposing this Regulation of the Bank to continue, would you propose that it should be accompanied with a Provision giving Power to interfere, or merely that it should be left to the Government to interfere upon its own Authority in a Case of great Emergency?

That it should be left to the Government to interfere upon its own Authority.

1494. Then under those Circumstances you would think the Government not justified in interfering, unless under very particular Circumstances of Pressure?

Certainly, under very extraordinary Circumstances of Pressure.

1495. When you approached to that Period of Pressure,—when for instance in the City of London you came near to the Day when the Government did interfere,

interfere,—was not the Confusion and the Sacrifice of Property, and the Distress to Individuals and to general Commerce, extreme? Would not you always create extreme Pressure and extreme Distress if you obliged the Government to wait for an extreme Case before it interfered?

I apprehend that occasional Periods of Pressure are absolutely unavoidable under any System for the Management of the Circulation; that whenever there is a sudden Necessity for an unusually large Importation of Commodities, especially of Corn, in consequence of a Failure of the Harvest, it is necessary for the Preservation of the monetary System of the Country that there should be Pressure. Parties must be subjected to the Degree of Pressure which will induce them to make various Sacrifices for the Purpose of keeping the Balance of our Payments in a proper State. That Pressure, though inconvenient at the Time, is salutary and unavoidable. It obviates much severer Evils that would otherwise occur. It is an Evil, not gratuitously created by Legislation, but arising out of uncontrollable Causes; and the Country submits to it as the painful though necessary Means of preventing greater Mischief.

1496. Do you suppose that any Evil can occur to a great commercial City greater than that which happened during the Year 1847 in the City of London, or that there ever were Instances in which so complete a Sacrifice of Property, and so complete an Impoverishment of commercial Capital, has taken place in any Country?

I have no Doubt that there existed much greater Pressure, and that the Evils alluded to in the Question occurred in a severer Form in this Country in 1783, in 1793 and in 1825. We are always apt to form an exaggerated Estimate of the present Evil. This is the Account given by Mr. Took of what took place in 1783: "This Contraction of the Currency was attended with a "great Rise in the Rate of Interest. Consols fell from Sixty-eight to Fifty-"four. Omnium from a Premium of Eight per Cent. to below Par. Every "one (says Chalmers) must remember how impossible it was to borrow Money "on any Security for any Premium." Then again, take 1793: "Many Houses "of the most established Credit failed. Houses of undoubted Solidity, possessing "ample Funds, which actually did in a short Time enable them to pay every "Shilling of their Debts, were obliged to stop Payment. Some Bankers who "almost immediately on recovering from the first Panic resumed the Regu-"larity of their Payments were obliged to make a Pause. Many whom the "temporary Assistance of even a moderate Sum would have enabled to sur-"mount their Difficulties could not obtain any Accommodation. Those who "had any Money, not knowing where they could place it with Safety kept it "unemployed and locked up in their Coffers." Such is the Account given in Macpherson's Annals of Commerce of the Pressure in 1793. It would be a most incorrect and exaggerated Account of the State of Things in 1847. Then again, as regards 1825, we have Lord Ashburton's Account of 1825 as given in Sir Robert Peel's Speech, which taken as a Description of 1847 would be a great Exaggeration.

1497. Is it not true that Parties kept large Amounts both of Notes and Gold locked up during 1847?

In any Period of Discredit that is always true, more or less. I believe however that it is usually much over-estimated.

1498. Supposing, in addition to the Pressure which actually took place in October last, there had existed what did exist upon those former Occasions, an Apprehension as to the Credit of the Currency, would not that have aggravated intensely the Pressure in October 1847?

It would have been perfectly frightful.

1499. You were understood to say that you entirely approved of the Letter of Her Majesty's Ministers, and that you think that if that Letter had not been written there would have been very great Confusion in the Country?

I stated my Opinion to that Effect.

1500. Do you think that it ought to be left in the Power of Two Individuals holding no official Situation at all under the Government either to prevent or to create that Confusion; for if the Governor and Deputy Governor of the Bank of England had said, "We have got your Letter, and we will lay it on the

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Table, but we will not obey it," how could the Government of the Country have compelled the Bank to do what they did?

The Bank actually did nothing under the Letter as regards the Circulation. The Amount of Notes with the Public was not increased. The Letter gave unlimited Power of Issue to the Bank, but that Power was not exercised.

1501. What was the Object of the Government Letter?

The Object of the Letter was to allay the Feeling of Panic which had arisen; and it proposed to effect this by placing an unlimited Amount of Circulation at the Disposal of the Bank of England. It is quite true, speaking abstractedly, that the Bank of England might have chosen to say, "We will not issue more Notes." But that is true at any Time. The Bank of England might at any Moment say, "We command Six or Seven and twenty Millions of Bank Notes, and we will not issue a Farthing of them.

1502. Supposing you had had a very scrupulous Man Governor of the Bank of England who had said, "There is no Power on Earth that shall force me to violate the Law; I will not do it;" what would have become of the Country then?

The Authority to issue would probably be sufficient without the actual Increase of Issues, as was the Case; but if not, the Refusal by the Bank to issue is too improbable to require serious Consideration.

1503 Was not the result of the Panic in 1847 not only to ruin a great many Individuals in Commerce and in Trade, but did it not also seriously affect the Landed Interest of the Country?

I really cannot judge of the State of the Landed Interest, except by my own Experience. My Rents have been very regularly paid ever since.

1504. Had you any Money lent out upon Mortgage?

Yes.

1505. What was the Result? Was the Interest upon the Mortgages raised?

The Borrowers chose the Alternative of paying off the Mortgages rather than consent to raise the Interest.

1506. In point of fact did most or a great many Persons who held Mortgages give Notice to the Parties that if they did not raise the Interest they must pay the Money?

I cannot speak upon that; but there is no Doubt that during the Year 1847 there was a general Rise in the Rate of Interest, but that Rise was of a very temporary Character, as is proved by the Rate having now fallen back to a very low Point. That Rise in the Rate of Interest it must be clearly understood was the unavoidable Consequence of the great Diminution which the Capital of the Country applicable to commercial Purposes had sustained, and which it was beyond the Power of any Man to prevent who had not the Control of the Seasons.

1507. But was not in many Cases the Interest of Money lent upon Mortgage raised or Notice given to pay it off?

I have very little Knowledge on that Point. I cannot say that such was not the Case.

1508. Do you know at all to what Extent that went?

Not in the slightest Degree.

1509. Do you know what the Practice of the Country Bankers was upon that Occasion with respect to overdrawn Accounts; how much Interest they charged upon overdrawn Accounts in October after the Letter of the Government?

I do not think that admits of a definite Answer. It would vary in a Variety of Cases.

1510. Did not most of the Bankers raise the Rate of Interest to the Minimum of the Bank of England Rate?

Private Bankers would probably conform to a great Extent to the Rate charged by the Bank of England.

1511. The

1511. The Question is as to the Bankers in London. Did you not begin to prepare for this Panic by calling in Accommodation?

I cannot say that we called in Accommodation. We advanced our Money for shorter periods, and were more careful in selecting our Securities.

1512. Or raising the Rate of Interest?

The Rate of Interest rose.

The Witness is directed to withdraw.

Ordered, That this Committee be adjourned until To-morrow, Two o'Clock.

Die Martis, 29° Februarii 1848.

The LORD PRESIDENT in the Chair.

SAMUEL JONES LOYD Esquire called in, and further examined as follows:

1513. Is there anything that you wish to state to the Committee, in explanation of your Evidence Yesterday?

I have reflected upon what passed Yesterday, and as it seems to me that the Course of the Examination occasionally became irregular and desultory, I think it may be useful to the Purpose of the Inquiry if I endeavour to recapitulate, very shortly, the Line of Reasoning which I wished to submit to the Committee.

1514. Will you have the goodness to do so?

1st. The Act of 1844 did not make the Course of Things in 1847 different from what it ought otherwise to have been. It only secured the Certainty of that Course which the Exercise of sound Discretion would otherwise have dictated. It did not *cause* the Pressure, nor *aggravate* the Pressure; but it protected the Country from the additional Evil of Exhaustion of Bullion and Suspension of Specie Payments, by stopping the Bank in its wild and ruinous Course in April.

2d. Pressure is necessary as a Means for correcting adverse Exchanges. The Degree of Pressure requisite for that Purpose is not an Evil, but a Merit, in any System for the Management of the Currency. The Pressure of April was not fully sufficient for Correction of the Exchanges; any Alleviation of that Pressure would have been most mischievous, it would have necessitated greater Pressure ultimately. No System which pretends to provide for Convertibility of the Notes can avoid Pressure.

3d. Any Provision by Law for alleviating the Pressure in its last Stages will very probably have the Effect of really increasing the Pressure. The natural Correctives are such as Parties will resort to only under the Apprehension of severe Pressure, if they do not so provide against it. But if the Law makes Provision for the Relief of that Pressure in its last Stage, all Parties will calculate on this, and will hope, by holding out, to avoid the Inconvenience of resorting to the legitimate Correctives, and to benefit by the ultimate Relaxation.

4th. The Bill is adapted to and sufficient for all Cases which are amenable to Principle. It is only in Cases of *extreme* Panic that special Intervention is requisite. Such Cases are not subject to any Principle; they cannot be provided for before-hand; the peculiar Character of each Case cannot be anticipated. In 1793 an Issue of Exchequer Bills met the Difficulty, but in 1847 it would have been useless.

5th. Pressure, and a high Rate of Interest, *caused by the want of sufficient Capital*, cannot be relieved by an extra Issue of Bank Notes. The Attempt to do so can only tend to check the legitimate Causes of Relief.

6th. But it is asked, may not *Pressure caused by Panic* be relieved by an extra Issue of Bank Notes? The Act of 1844 is based upon the Principle, that as regards the *Amount*, a Metallic Currency is a perfect Type of Currency, and that Paper Money is useful only on account of its Economy and Convenience. Metallic Money will be increased by the Effect of Panic turning the Exchanges, and thus causing Gold to come in; and Notes being issued against the Gold which thus comes in, the Paper Money will also be increased. But if it is proposed to issue more Notes before the Gold comes in, then, in that Case, it is first necessary to be well assured that the Exchanges are in a sound State, *and that the extra Issue of Paper Money will not generate any*

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new Cause of Derangement. How can this Assurance be obtained? Again, the Knowledge that the first Symptoms of Panic will be met by an extra Issue of Notes will tend to check the Resort to the natural Correctives. How can one distinguish legislatively Pressure from Panic, and Pressure from legitimate Causes? They are always more or less blended in fact, and in the Excitement of the Moment legitimate Pressure will be construed as Panic. Pressure from Panic will vary in its Character on every successive Occasion, and require a different Remedy. Issue of Exchequer Bills relieved Panic in 1793, but would have totally failed for that Purpose in 1847. The Remedy, to be effectual, must in all Probability be applied abruptly, not gradually, and the Power of Issue must be unlimited, not restricted, in Amount. Panic cannot be effectually provided for by any previous Regulation. Suppose all Depositors throughout the Kingdom, through Panic, simultaneously call for their Deposits, what Amount of Notes can be sufficient to meet this Demand, or how can adequate Sales of Securities be effected? Or suppose sudden Insolvency of the present Country Issues, as in 1825. Suppose again after an extra Issue of Notes to meet Panic, that Panic Feeling turns against the Notes themselves, and Gold is demanded for them. The very Issue of 14,000,000 *l.* Notes on Securities unrepresented by Gold, and yet convertible, is a distinct Repudiation of the Principle of attending to or providing against Panic. This, like the other Provisions of the Act of 1844, is sound and safe in all Cases amenable to Principle, but no doubt it may break down under the irregular and uncontrollable Force of Panic. Provision to meet the Effect of Panic, as distinguished from legitimate Pressure, must necessarily vest discretionary Power in some Parties. Now the Act of 1844 originated in the repeated Experience of the certain Abuse of all discretionary Power respecting the Management of the Circulation. The best Correctives of Panic, though they may not be perfect, are to be found in the Provisions of the Act which secure a Contraction of Notes commencing with the first Decrease of Bullion, and which by that Means further secure an Amount of Bullion at all Times sufficient to protect the Convertibility of the Notes from all *reasonable* Danger. Thus the Act of 1844 enables the Country to meet the Difficulties which attend a State of Panic with a larger Amount of Bullion in deposit, thus diminishing the Cause of Panic; and also with a larger Amount of Notes at the Disposal of the Bank, thus increasing the legitimate Means of meeting Panic.

1515. You stated Yesterday that you thought that the Letter that was sent by the Government to the Bank, on the 25th of October, was much to be deplored, but that it was a Matter of Necessity, and that if it had not been sent Calamities of the most frightful Sort would have occurred. What is the Nature of those Calamities that you apprehend?

The various forms of Confusion that are likely to arise from an extreme State of Panic in the Public Mind.

1516. A Run for Gold?

No; I apprehend that was precisely the one Evil against which the Act had afforded a sufficient and complete Protection,—that whilst the Public saw there were Eight Millions of Bullion in the Coffers of the Issue Department, a Run for Gold to any Extent was very improbable.

1517. At what Period do you conceive that those Dangers arose?

It is exceedingly difficult to state precisely the Period at which they arose, because it is a gradual Process; in proportion as the Panic becomes more and more prevalent upon the Public Mind the Evil becomes more and more imminent.

1518. What was the Period at which you think these Dangers were so imminent that it became a Matter of Necessity to issue the Letter?

As far as I can judge I should say at the Time at which the Letter was issued.

1519. Had any Calamities occurred before that of the same Nature as those which you anticipated in a greater Degree after the Time at which the Letter was issued?

There is no Doubt that there was severe Pressure before the Letter was issued; and the premonitory Symptoms of that general Confusion from Panic, the

the Apprehension of which, I presume, caused the issuing of the Letter, had shown themselves.

1520. Might not those Calamities which did occur have been prevented if the Letter had been sent sooner?

I believe if the Letter had been sent sooner it would have stopped the Progress of some of those Inconveniences, but it would have done so at the Hazard, and I believe at the Certainty, of incurring much greater Evil subsequently.

1521. You stated that you thought it was a wise thing, the not issuing such a Letter in the Month of April?

Undoubtedly. I think it would have been a fatal Measure to have issued it then.

1522. You are aware that many persons thought it a very desirable thing that it should be issued then?

In Periods of Pressure many Persons will think a Measure of immediate Relief desirable, not looking at the ultimate Consequences.

1523. Are you not aware that many Persons of the most respectable and influential Character in the City of London addressed the Governor of the Bank, to apply to the Government at that Time for the Issue of such a Letter?

I have heard that they did so.

1524. Are you aware that the Governor of the Bank doubts now whether it would not have been a wise Measure to have withheld the Letter when it was issued in October?

I cannot answer that Question; I know nothing about it.

1525. You stated Yesterday that the Pressure in April was brought on very much by the Conduct of the Bank from January to April?

The temporary Panic that arose in April was brought on by the Mismanagement of the Bank; at least so it appeared to me.

1526. What was that Mismanagement?

Continually increasing their Advances upon Securities during a Drain of Bullion, and so producing an inevitable Exhaustion of their Banking Reserve.

1527. And at a Period of Adverse Exchanges?

During a Drain of Bullion.

1528. You think the Bank showed a Want of Discretion in the Management of their Affairs at that time?

I think the Bank, from January to April, showed great Want of Discretion in the Management of their Banking Concern.

1529. Did they show any Want of Discretion subsequently to or shortly previous to October?

None at all partaking of the Magnitude and Seriousness of that which I alluded to before.

1530. Would it not have been in the power of the Bank without any Letter from the Government to have come to the same determination to discount Bills only at Eight per Cent.?

No; because it was not the discounting at Eight per Cent. that constituted the remedial Character of the Measure; it was the Declaration to the Public that at that Rate there was an unlimited Supply of Bank Notes at their Command. The Bank could not possibly make that Offer without the Sanction of the Government.

1531. But in point of fact the issue was very small at the Rate of Eight per Cent.?

Very small indeed.

1532. Would not it have had the same effect if they had come to a Determination without a Letter from the Government to issue only at Eight per Cent.?

The Public would have known that the Bank, if it made such a Declaration, had not the Power of fulfilling it. It was the Knowledge on the Part of the

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Public that there was actually a Power given to the Bank of England to advance any Quantity of Notes, without Limit, that might be required; that produced the Effect spoken of. Without the authority of the Government the Bank could not have produced that Confidence in the Public Mind.

1533. Up to the Period of 1847 the Bank Act was supposed to have operated exceedingly well?

That was the common Opinion; but it was perfectly clear that till there came a Drain of Bullion the Act was not put to its Trial in one most essential Respect.

1534. And when it came to be put to its Test, namely, in October 1847, it was necessary to suspend it?

It was necessary to suspend temporarily one of the Provisions of the Act, but not in consequence of any Occurrence connected with the Principles upon which the Act was founded. The Act was perfectly effectual for the Purpose for which it was passed; this is proved by the Fact that upon no former Occasion of a heavy Drain of Bullion had the Convertibility of the Notes been so protected as to be beyond Reach of Question, which was effectually accomplished in 1847.

1535. But in other Respects the Danger to which the Bank was brought was so great, that it occasioned a general Panic in the Public Mind?

That is mixing the Banking Business with the Issue Department. The Danger to the Bank occurred in its Banking Business. The Act of 1844 has only to do with the Issue Department.

1536. But where there is good sense and discretion in the Management of the Bank, is not it better that they should have an entire Discretion, and be able to manage both at the same time, so that the one Department may assist the other in Time of Need?

If you assume that the Discretion on the Part of the Bank is perfect, then the discretionary Action of the Bank and the Provisions of the Act become identical; but Experience has convinced us that the Act was needful, because the Discretion on the part of the Bank was never perfect, but very far from it.

1537. You say that the Operation of the Act was perfect for what you consider to be the great Object of a Regulation of that Description, namely, the Convertibility of the Note into Bullion; you consider that that is a Point for which everything else should be sacrificed?

It is the Basis of the Act of 1844 that the Convertibility of the Bank Note is to be effectually protected, and the Act was deemed a Measure necessary and efficient for that Purpose. I do not consider that other Things are sacrificed to that Purpose, but rather that the Accomplishment of that Purpose protects the Public from far greater Evils.

1538. But if it be proved that though the Power of the Bank to pay its Bank Notes never could be doubted, yet it was brought within a very small Amount of stopping Payment altogether when its Reserve was at its lowest Point; do you consider that the Object, the Principle as you would call it, of the Circulation was obtained by preserving the Power of the Bank to pay its Bank Notes in Specie, when the Bank itself was brought within a few Hundred thousand Pounds of being obliged absolutely to stop Payment, having at the same time Eight Millions of Bullion in its Coffers? Do you conceive that it answers any Purpose, except that of establishing some useless Theory,—that in fact any practical Object is gained for the Public by putting the whole State of Manufactures and Commerce of this Country into the Distress into which it was brought, and leaving the Bank, after all your Precautions, in a Condition of entire Want of Safety as to, not the Payment of its Bank Notes in Specie, but the Payment of its Deposits, or any other Claim that might at that Time come upon the Bank?

I apprehend the Question proceeds entirely upon the Confusion which always arises when we blend together the Consideration of the Management of the Circulation and the Conduct of the Bank in its Banking Operations. I apprehend that it is anything but useless Theory which provides Regulations by which the Convertibility of the Bank Notes is amply and effectually provided

provided for; Regulations which secure at all Times, and under Periods of the severest Trial, the Certainty of retaining such an Amount of Bullion as shall place the Convertibility of the Bank Note beyond all reasonable Question, and prevent the Occurrence of any Feeling of Public Alarm upon that Point. That Result I conceive that the Act of 1844 effectually accomplished, and in so doing, rendered a most important Service to the Public. It was not pretended by the Author of the Act that it introduced any Regulations to secure Wisdom or Discretion on the part of the Bank of England, in the Management of its Banking Affairs; if, in the Exercise of the discretionary Powers still left to the Directors of the Bank, they bring the Banking Affairs of the Bank into any Species of Difficulty, the Responsibility rests with them and not with the Act. It is, however, a great Diminution of the public Evils which must at any Time arise from Mismanagement in the Banking Department, that there exists in the Issue Department such an Amount of Bullion as protects the Public from any Apprehension regarding the Solidity of its monetary System, happen what may to the Bank of England in its Banking Concerns.

1539. You admit that the Bank of England was in imminent Peril of not being able to meet its Engagements in the latter Part of October, when its Reserve was at its lowest, though it was in no Peril of not being able to pay its Bank Notes in Specie?

I must first object to the Form of the Language which speaks of the Bank of England being in no Peril of not being able to pay its Notes in Specie. I consider the Issue Department to be entirely a separate thing, and that it has nothing to do with the Bank of England in its Banking Business. The Issue Department is always prepared to pay its Notes in Gold. But I must also qualify what is assumed to be my Admission in the other Part of the Question; the Banking Reserve of the Bank of England was undoubtedly reduced to a very low, I think a very undesirable, Point; but such is the peculiar Relation in which the Bank of England, from the Magnitude of its Capital and Resources, stands towards the Public, that I am rather inclined to think that the Bank could save itself at almost any Point, and that the Danger is rather of the extraordinary Derangement which that Effort would throw upon public Affairs than that the Bank itself would actually stop Payment. I speak with some Doubt upon that Point, but that is my impression.

1540. In what Way do you think the Bank would have saved itself?

The Bank at that Time held a very large Amount of Bills of Exchange falling due daily, and the Bank might have refused to make any further Advance whatever, and so have let those Bills run to Maturity. By this Means the Bank would, Day by Day, have brought into its Till a very large Amount of Money. The Bank, again, held a large Amount of Public Securities; the Bank might have brought those Public Securities into the Market for Sale, at any Extent of Depreciation. What the Effect of that might have been I cannot say; but I think that any reflecting Person, conversant with the Affairs of the Bank, and their Connexion with the Money Market, will agree with me in saying, that the Power of the Bank to save itself at the last Extremity, though at the Expense of the Public, is prodigious.

1541. You are acquainted with Mr. Gurney, the Bill Broker?

Yes.

1542. A Person in very large Business?

Very large Business.

1543. To whose Opinion, upon the State of the Money Market, in a Time of that Sort, considerable Weight is due?

To his Statement of any Facts with regard to the Money Market I should pay great Attention. I might not perhaps pay an equal Degree of Attention to the Inferences which he draws from those Facts.

1544. If Mr. Gurney states as a Fact, that when he went on the Saturday to the Bank for 200,000 *l.*, and on the following Monday for 200,000 *l.* more, he then stated to the Governor of the Bank his Conviction that if some Relief were not at that Time given by the Bank, One Half of the Bankers in Lombard Street would be forced to stop Payment, he, Mr. Gurney, being in com-

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munication with all those Bankers, and knowing the State of the Demands upon them; and if he has further stated, that with no Securities, however good, could Money at that Time be got in the Money Market; do you think, under those Circumstances, that you could maintain that the Bank could have had the Power of what is called righting itself by any Operation upon the Money Market, unless Mr. Gurney's Statement of Facts should be wholly untrue?

I hope the Committee will allow me to answer their Questions according to the best of my Judgment, and to contribute any Knowledge I possess as to Facts without reference to any Criticism upon Mr. Gurney's Statement or Opinions. I have no Doubt whatever of this Fact, that the Bank of England held at the Time a very large Amount of Bills of Exchange falling due every Day, and the Bank might have suffered those Bills to run to Maturity without re-Advancing the Amount to the Public, and in that Way have strengthened its own Position. What Effect that would have produced upon the Public is a totally different Question.

1545. But the Effect it would produce upon the Condition of the Public is the important Question to be considered, is not it?

Not if you consider what the Object of this Portion of the Examination is. It is to test the Correctness of my Opinion that the Bank has the Power of saving itself at the Sacrifice of the Public.

1546. Had not the Operation of the Act of 1844, whether well or ill contrived, the Effect of putting a Restriction upon the Bank of England, and making its Reserve as low as it is stated to have been at the End of October, at a Time when its real Power of meeting its Notes in Specie, supposing no such Restraint to have been created as was created by the Act of 1844, was in fact upwards of Eight Millions Sterling? In fact, therefore, was not the real Limit done away with, and an artificial Limit substituted for it, which artificial Limit had the Effect of producing Intensity of Distress at that Moment?

I must again profess my utter Inability to discuss this Question, unless we proceed upon a complete Separation between the Management of the Circulation and the Management of the Banking Business of the Bank. The Act of 1844 undertook to issue to the Public Fourteen Millions of Notes, without any Reference to the State of Bullion, and in addition to that to allow the Public to have any further Quantity of Notes that it chose to ask for, delivering Bullion into the Issue Department against them. That being done, the Bank of England is left, like every other Concern, to manage its Affairs according to its own Discretion, and to make what Use it thinks proper of that Portion of the Notes which comes into its Possession. Under this State of Things I think it is altogether incorrect to say that the Act has placed any Restriction upon the Bank, or imposed any artificial Limit on the Amount of the Circulation.

1547. What we are really inquiring into, is the Wisdom and Expediency of that very Act of 1844. We are not questioning whether the Bank was not under the Necessity of putting those Restrictions upom itself which it did, nor are we questioning the Policy of the Government in relieving it from those Restrictions, but we are inquiring as to the Condition of the Bank of England as it was managed under the particular Restraints of that Act of 1844. Was not the Condition of the Bank under the Act of 1844 that of having an artificial Restraint put upon it, which was of a stricter and more confined Nature than it would have been under, if it had been in the old Condition of former Bank Directions, having nothing to look to but its Amount of Specie in its Coffers as compared with its Liabilities?

The Bank under the old Legislation had the Power of issuing Notes according to its own Discretion, as long as there was any Bullion remaining in the Bullion Department to meet them. Under the Act of 1844, the Bank has at its Disposal Fourteen Millions of Notes, and any further Amount of Notes equal to the Amount of Bullion which the Bank may place in the Issue Department. I really cannot state the Case more distinctly than that. The practical Result we know to have been, that during the Pressure of 1847 there was a greater Amount of Notes in the Hands of the Public than during any previous Period of Pressure.

1548. You

1548. You stated that the Pressure was necessary in the early Part of 1847 to correct the adverse Exchanges. Now, will you turn your Attention to this Circumstance, that through the whole of 1847, with the Exception of the Efflux of Gold to the United States of America, we were importing Gold from every other Part, and that, in point of fact, the Influx, with the single Exception of America, was greater than the Efflux during the whole of the Year 1847. Does not it appear, from the Return before Parliament of the Quantity of Bullion bought and sold by the Bank, that in January there was bought, in round Numbers, 48,000 *l.* Sterling, in February 293,000 *l.*, in March 21,000 *l.*, in April 85,000 *l.*, in May 651,000 *l.*, in June 198,000 *l.*, in July 130,000 *l.*, in August 156,000 *l.*, in September 158,000 *l.*, and in October 885,000 *l.*, of Gold; and that the only Export of any Consequence was that to the United States of America for Food, which Export to America ceased to be of any Importance after the month of April. Does not that State of Things show that this Pressure, admitted to be distressing to Trade, was not so necessary as you suppose it to have been for the Purpose of correcting adverse Exchanges?

I am not able to state whether the Facts enumerated in the early Part of the Question are correct or not, but I am willing to assume that they are correctly stated; but that Assumption does not in any Degree, in my Judgment, invalidate the Reasonings by which my previous Answers have been guided. I apprehend that the Influx or Efflux of Bullion is the simple Fact by which the Amount of the Circulation ought to be regulated without Reference to the Consideration of the Quarters more or less in Number to which that Drain goes. If the Circulation was a Metallic Circulation, the Drain would, though it proceeded exclusively to the United States, reduce *pro tanto* the Metallic Money of the Country; consequently it appears to me that it ought in the same Degree to reduce the Paper Money of the Country regulated upon a Metallic Basis. Why, it may be asked, does Gold upon the Balance go out of the Country? No rational or scientific Answer can be given to that Question, except this, namely, that such is the State of the Circulation of this Country compared with the Circulations of other Countries, that Gold is a cheaper Commodity for Export than other Commodities; so long as that is the Fact, it is necessary that a Contraction of the Circulation should take place for the Purpose of reducing international Trade to its only legitimate normal Condition, a Trade of Barter. We were, at the Time referred to, importing largely from the United States, and paying for that Import, not by the Barter of other Commodities against it, but by the Export of the precious Metals. Some Limitation must necessarily be put upon that Course of Things, otherwise the Solidity of the Monetary System would break down. For the Purpose of putting that Limitation upon the Export of the precious Metals, Pressure is necessary, and therefore a legitimate and useful Process. In connexion with America there is a very striking Occurrence, which took place in April, showing the practical working of that Pressure, and the beneficial Effects which it produced. At that Time, when the whole Community became alarmed respecting the Condition of the Monetary System, it was said, "Trying and dangerous as our present Position is, it must necessarily become much worse, for Orders for the Transmission of a considerable further Amount of Gold to the United States are at this Moment actually out; a Portion of that Gold is absolutely on board the Packets at Liverpool, and upon the remaining Portion Policies of Insurance have been effected. Consequently, contract your Circulation as you will, lower Prices as you will, use every Species of Pressure that you can, Two or Three Millions more of our Gold we must at all events lose." That was the Doctrine held at that Time. However, the Act fortunately remained firm; and what was the Result? The Gold in the Packet was taken out again and brought back into the Vaults of the Bank of England. The Policies upon the remaining Portion were cancelled, and not One Farthing of that Gold passed out of this Country. That was the Effect of Pressure, retaining a considerable Amount of Gold in this Country which everybody at the Time declared to be absolutely irrecoverable. And what was the Result of that? Why that our Circulation was kept proportionably higher than it would have been if the Pressure had been less and the Gold had been permitted to go out of the Country. I cannot conceive a Fact more conclusively verifying every Principle upon which the

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Act of 1844 is based, or more conclusively proving that Firmness in maintaining the Principles of the Act during a Period of Pressure, will in the End produce that Result which always follow a faithful Adherence to Principle; viz. a Diminution of the ultimate Inconvenience and Suffering.

1549. When did the Transaction which you mentioned of the landing of the Gold take place?

I think it was in April. It was a Transaction well known at the Time, and universally commented upon.

1550. Are you aware that in April there was the largest Export of Gold to the United States of any Month in the Year?

I do not know. I do not at all know where the Gold goes to. If it goes that is all that I ever attend to.

1551. The Bank, seeing that the Gold was mainly and almost exclusively wanted for the United States, and knowing the Object for which it was wanted, namely, for the Import of Food into this Country, and seeing after the Month of April that that Efflux of Gold stopped, and it being evident towards the End of the Year that our Harvest was a good one, and that therefore the great Demand from America must cease, and the Court of Directors at the Bank having the Power, not to look dryly at the Figures, but to look at all the Circumstances of the Case, and all the Probabilities of a future Demand, might not they, with 8,000,000 *l.* in their Cellars, have looked with Indifference at the Amount of Specie which was going out, more especially knowing that, not having any other Means of Payment than Specie, it must go out for the Purpose of having that which the Country could not do without, namely, a Supply of Food?

My previous Answer, I think, is a sufficient Reply to that Part of the Question which says "knowing that the Specie must go out." I think I have shown that if the Principle be rigidly adhered to, it is not so clear that the Specie must go; it will go out only in proportion as Pressure is relaxed. But the Question, in reality, raises the old Point, whether the Protection of the Convertibility of the Notes can be safely left to the Discretion of any particular Body? It was left, under the former System, to the Discretion of the Bank Directors, and the Result was Three Periods of extreme Alarm for the Safety of the Monetary System, in 1825, in 1837, and in 1839, accompanied with circumstances against which the whole Community revolted, so that there was a common Expression of Determination that they would leave the Monetary System no longer exposed to those Perils. The Act of 1844 arose out of the universal Recognition that the Principle alluded to in the Question had been tried Three Times and had failed, and failed with so many Circumstances of supposed Disgrace, that they were determined that they would go on with that System no longer. The System of 1844 was resorted to as a Substitute; and the Result is, that at a Period in which the Combination of Circumstances to try the Solidity of our Monetary System was unexampled, that System has come out perfectly intact, and the Convertibility of the Notes has been amply protected; under all those Circumstances, we have never been with less than Eight Millions of Bullion in our Coffers. But the Question proceeded further to make the Remark that the Bank ought to have done a great deal more, in consequence of its having Eight Millions of Gold in its Coffers. I would observe that it was the having Eight Millions in its Coffers that enabled the Bank to do as much as it did for the Assistance of the Public, because the Eight Millions of Gold so retained in the Issue Department are represented by Notes at the Disposal of the Bank. It was the Command of those very Notes, representing the Eight Millions of Gold, which enabled the Bank at that Time to hold 31,000,000 *l.* of Securities, an Amount of Accommodation to the Mercantile World which never was given upon any previous Occasion, and the Power of giving which is one of the Results of the protective Provisions of the Act of 1844.

1552. You have alluded to the Circumstances under which the former System of discretionary Power by the Bank failed with Disgrace. To what Periods do you allude in referring to that?

I allude to the Years 1825, 1837, and 1839.

1553. At

1553. At that Time was there any Suspension of the Payment of the Notes of the Bank of England in Gold?

There was no actual Suspension, but there was a universal Apprehension of our being at the very Edge of the Precipice.

1554. Do you think that having got through those Difficulties, even the being at the Edge of the Precipice, was more disgraceful to the System that then existed than the absolute Necessity of departing from the System of 1844, which occurred in October at the Period when the Letter of the First Lord of the Treasury and the Chancellor of the Exchequer was issued?

Perhaps the Term "disgraceful" had better be struck out of the Matter altogether. The Discredit which was supposed to attach to the Proceedings upon the former Occasion had more particular Reference to the Feeling which arose in consequence of the Bank of England having obtained Assistance (though I believe it was hardly fairly to be so described), from the Bank of France. But I apprehend that no Discredit whatever attaches to the Act of 1844, in consequence of the Issue of the Government Letter of October last. It seems to me that the Issue of that Letter arose out of one of those peculiar Combinations of Circumstances which may occur occasionally in a Community of prodigious Activity and Enterprise, carrying on trading Operations upon a gigantic Scale, and by means of an extended System of Credit. You cannot build up in this Country an enormous and complicated System of Credit without being occasionally under some very peculiar and extraordinary Combination of Circumstances, exposed to the Possibility of Panics seizing the Public Mind, which cannot be regulated by any systematic legislative Provisions, but which must be met according to the Exigency of the Moment by some extraordinary and exceptional Measure. I see no Disgrace in that. I see nothing discreditable in that. I see nothing invalidating the Principle of the Act, or tending to show that the Provisions of the Act are inefficient for their intended Purpose.

1555. Comparing Two separate Systems of Banking, or any thing else, and comparing their Action at different Periods, and finding that the one, although it may have been attended with Difficulty and Risk, has not been departed from, but that the other was rendered practicable only by an entire Departure from and an entire Cessation of the Application of its Principle; do not you think that that Experience tends to throw a certain Degree of Discredit or Want of Reliance and Confidence upon the Principle from which we have been obliged to depart in the Time of Trial?

The whole of these Remarks proceed entirely upon the old Fallacy of blending Banking and Management of the Circulation together. The Act of 1844 was passed for the Purpose of securing the Convertibility of the Notes, without Reference to Banking Operations; that Object it has effectually accomplished. I think that Object ought to be kept entirely distinct from any Reference to Banking Operations. Now when we look at the Banking Operations we find that under such peculiar Circumstances as occurred in the Autumn of last Year there suddenly arose a Feeling of Panic so general and severe that the ordinary Banking Operations of the Country were seriously impeded, and under those Circumstances the Government intervened and authorized an Issue of Bank Notes, which had no Reference to the State of the Bullion, and the sole Object of which was to arrest the Panic by a sudden and bold Interference.

1556. The Question was not intended to raise the Point with regard to Separation or Non-separation; the Question was simply directed to this Point, that in October 1847 there was a Necessity for an entire Departure from the Principle of the then existing Law?

I do not admit any such Departure from the Principle of the Law.

1557. Was the Letter of the Chancellor of the Exchequer consistent with the Law?

It was inconsistent with the Letter of the Law, but not inconsistent with the Principle of the Law.

1558. Then there is nothing inconsistent with the Principle of the Law in Letters of that Description being resorted to, from Time to Time, as Circumstances require?

It depends upon the Character of the Circumstances under which they are issued.

 1559. Assuming

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1559. Assuming that the Act of 1844 is to continue to be the Law of the Land, and assuming that it is necessary that a Discretion should from Time to Time be exercised, under possible Circumstances, to suspend the Action of that Law; in what Way are you of opinion that that Discretion can be most safely lodged, with the view to insure as little as possible a Departure from this Statute?

I think it important to render a Recourse to the suspending Power extremely difficult, and such as will be resorted to only under the last and most extreme Necessity. I think that by leaving the Government to do it upon its own Responsibility, and as a Violation of an existing Act of Parliament, we obtain a better Protection against too easy and ready an Exercise of the Power, than by lodging the Discretion with any other Parties.

1560. What Difference existed between the Two Periods of April and October which makes the Argument which you use in justification of the Letter in October not applicable to the former Period of April?

In April the adverse State of the Exchanges was barely rectified; a slight Cause would again have turned them against us. But in October they became clearly and decisively in our Favour.

1561. Do you think that the State of the Exchanges is that which ought to guide the Discretion of the Government with reference to the Issue of a similar Letter of Relaxation?

I think it would be impossible to issue such a Letter with Safety unless the Exchanges were in our Favour, and decidedly in our Favour; it does not follow that the mere Fact of their being in our Favour would justify the issuing of the Letter.

1562. But if they are in our Favour, and there exists at the same Time a Degree of Pressure, you think it advisable that this Relaxation should be allowed?

I think it very unadvisable to issue such a Letter, unless under the most extreme Necessity, and as a Remedy for a State of Things which is altogether out of the ordinary Course.

1563. At what Period of Pressure do Things become not amenable to Principle?

When the actual Conduct of Parties becomes such that you cannot bring it under the Test of any ordinary Principle. When People act not from any reasonable Motive but under the blind Influence of Panic, I consider their Conduct as not amenable to Principle.

1564. In your Evidence in July 1840 it is stated, in perfect Consistency with what you have stated now, that "almost in any Extremity of the State of Bullion, the Bank of England has Means within its Power of producing such an Action upon the Public, as shall be sufficient to stop the Foreign Drain; but the Difficulty is, that if it allows the Bullion to get to a low Point, the Action to stop the Foreign Drain must then be very sudden, and of a Nature very severe and ruinous to the commercial Community; also there is great Danger, with such an Action, of exciting an internal Demand: and when once the internal Demand is raised, there is no Principle upon which you can stop that." Referring to that Evidence, and to the Observation you have now made, that the Cases in which Pressure arises are not amenable to Principle, does the one explain the other, and show that those Cases not amenable to Principle are Cases of domestic Demand?

The Remark quoted from my former Evidence had reference to an internal Drain for Bullion. I apprehend that the Discussion which we have lately been carrying on has had Reference to what is called an internal Drain (though, as I stated, I think unhappily so called) for Bank Notes. They are Two totally different Things.

1565. In October 1847 it was not a Drain for Bullion, in your Sense of the Word, but it was an internal Drain for Bank Notes, or for Money?

In October 1847 there was some, though not a powerful Drain for Bullion; there was also a Pressure which diminished the Efficiency of the existing Circulation.

1566. Whenever

1566. Whenever that takes place, and the Circulation becomes insufficient, do you think it advisable that a Relaxation should take place?

No; I do not state that. It is a question entirely of Degree. I think that a Relaxation ought only to take place in the last Extremity, when the Inconvenience arising from the Pressure has produced all its legitimate Effects in rectifying the Exchanges, and the Danger of general Confusion has become imminent.

1567. Is not a Deficiency of Currency, even in a small Degree, an Evil in a commercial point of view?

I should call it an Inconvenience, perhaps, rather than Evil.

1568. You have remarked that the Interposition of the Government should be restricted to the last Moment, to the most pressing Time, and that it should be under circumstances of the gravest Responsibility. Do you conceive that it would be consistent with those Opinions, or opposed to those Opinions, if the Discretion, when it was exercised, were to be exercised conjointly by the Government and the Bank, rather than by the Government alone.

My Impression is, that the Union of the Bank with the Government would be unadvisable, because the Bank, I consider, means a certain Set of Individuals living in the Midst of a Mercantile Community, and themselves probably engaged in Mercantile Transactions, and therefore not the most disinterested Parties to judge of the Propriety or Necessity of Relaxation.

1569. Do not you think, that if the Responsibility were divided between the Government and the Bank, by requiring a joint Action in such Cases, the Responsibility being divided, would be infinitely reduced in such Case?

I think so, certainly; but it is a Point upon which the Cm mittee can judge better than I can.

1570. But you are clearly of opinion that if such a Discretion is necessary to be vested, it had better be vested in the Government than in the Bank Directors?

Certainly.

1571. Was not the Responsibility really divided upon the last Occasion, the Government taking the Initiative by issuing the Letter, but it being competent to the Bank not to act upon the Letter?

Abstractedly speaking, the Bank had the Power of saying, "We will not act upon the letter," just as it had the Power at all Times of saying, "We will not issue the Notes in our Possession." But practically I apprehend it was not so.

1572. Still it was a Division of Responsibility?

Theoretically, I suppose the Government sanctioning the Bank in violating the Law does not take the Responsibility from the Bank; but practically, I imagine that the Bank would proceed under the Understanding, that in violating the Law it was protected from Responsibility under the Letter of the Government.

1573. Upon the whole, you would prefer that the Power of Relaxation should not be vested anywhere by law?

Certainly not by law.

1574. You have stated that, in the present instance, the Interference was proper, and absolutely necessary. Therefore, if Parliament were to make no Provision at all, and give no Authority for it anywhere, and yet the thing must in Cases of great Distress be done, would not that leave the Law in a very awkward Position?

I apprehend that that is the State in which we are left with respect to almost all our Laws. It is perfectly known that Circumstances may arise which will impose upon the Government the Duty of taking upon itself the Responsibility of suspending the Action of any Law whatever. I think, not long ago, Lord John Russell stated distinctly in one of his public Speeches that he should not scruple to violate the Law if public Necessity required it.

1575. Was not the same Course proposed with respect to the Corn Laws at the close of the Year 1845?

Yes.

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1576. Do not you think that if the Discretion is only to be exercised under Circumstances so extraordinary, it is almost impossible to anticipate them by Legislation?

The Circumstances under which it would be necessary to exercise the Discretion cannot be defined beforehand. There is also this Difficulty: the very Knowledge that such a Measure may be resorted to tends to check the Introduction of the natural and proper Correctives. Therefore, though you cannot altogether get over the difficulty, I think it is obvious that the true Policy is, to do nothing that shall in any way whatever strengthen the Feeling in the Public Mind that under Pressure they will have this Relaxation; for in proportion as they anticipate it, in the same Degree will they abstain from the proper and natural Correctives; and to whatever Degree they abstain from resorting to those, in the same Degree the ultimate Pressure will be augmented.

1577. Do you not believe that if the same Occurrences took place next October the Public would believe that a Relaxation would take place?

That I consider to be the great Evil connected with the issuing of the Letter. You have had all the Benefit of the Letter, and you know what that Benefit is, but you have yet to experience the Evil Consequences that must arise from it. It was on this account I stated that though I admit the Necessity of issuing the Letter, yet I make that Admission with the deepest Regret.

1578. Do you think that the Evils of such an Expectation would be diminished by making the Issue of such a Relaxation easy?

No, quite the contrary. I think it is of the highest Importance that you should make the issuing of such a Letter again as difficult as it is possible to make it, short of rendering it impossible.

1579. And you think it would extremely aggravate the Inconveniences attending such an Expectation, to vest such a Discretion in any Party who had Facilities in exercising it?

Yes. The Danger to be apprehended is that of too easy, not of too reluctant, an Exercise of the Power.

1580. Do you think it might lessen the Inconveniences to which you have last adverted, if the Circumstances under which such a Discretion were to be exercised by the Government were expressly defined?

I apprehend it would be impossible to define them.

1581. Are the Committee to understand that upon the whole view of the Case, and upon all the Consideration you have been able to give to the Occurrences of the last Year, you wish the Act of 1844 to remain without any Alteration whatever?

Yes.

1582. Does not the Correction of the Foreign Exchanges depend upon the Activity of our own Trade, and our Means of Exporting our Manufactures and Produce to the rest of the world?

The State of the Foreign Exchanges is no doubt closely connected with and dependent upon the Balances of Trade, including in that Term Trade in Public Securities as well as in Commodities. In its transmission from Country to Country Bullion is to be considered as a Commodity. It is transmitted from one Country to another, only because it is a cheaper Mode of making a Payment than other Commodities; and in proportion as it is transmitted the Quantity in the Country from which it goes is diminished, and that Diminution in Quantity raises its value, and renders some other Article a cheaper Means of making a Foreign Payment.

1583. But the Power of the Country to command its Share of that Commodity, Gold, depends upon the active Prosperity of its own Commerce and its Productions?

I apprehend the Principle is this, that in determining the normal State of the Distribution of the precious Metals, the relative Activity of the productive Power of different Countries is the regulating Circumstance; but when you come to temporary Fluctuations of the precious Metals between Two Countries, then other Circumstances may become predominant in regulating them.

1584. Does

1584. Does not the Distress created in our manufacturing Districts, the Stoppage of Business in some of them, and the Difficulties imposed upon all of them by monetary Derangement, paralyze the Means of the Country for the Restoration of the Balance of the precious Metals?

That Question seems to me to confound the Effects of Variations in the Amount of Circulation with the Effects of Variations in the Amount of Capital. Monetary Derangement arising from Variations in the Amount of our Circulation will never go to any Exetnt in paralyzing the Trade of the Country, or stopping the productive Power of our Manufactures. It is Want of Capital which alone produces these serious Effects. What really produced a Derangement of Trade and Stoppage of Transactions in 1847 was the Loss of Capital, and the Diversion of Capital to other than trading Purposes.

1585. You are yourself largely connected with Banking Operations in the manufacturing Districts of Lancashire?

Yes.

1586. And at Birmingham?

I have Correspondents at Birmingham. I have no Concerns of my own there.

1587. You are aware that those Manufactures suffered considerably by the monetary Derangement of last Year?

I must again repeat the Distinction that I draw between monetary Derangement and Derangement of the Capital of the Country. The manufacturing Operations of Birmingham and Lancashire were seriously deranged last Year, as were all the trading Operations of the Kingdom; but that Derangement was the Result of a great Loss or Diversion of Capital. It is impossible for a Country to suffer in its Harvest, as this Country suffered in 1846, thus losing an important Part of its Wealth, and also to have Capital drained from its trading Operations to a large Amount, as was the Case during the last Two Years, without being seriously inconvenienced by it. Persons attribute this Inconvenience to monetary Derangement, but the monetary Derangement was one of the inevitable Effects of these Circumstances and not one of the Causes.

1588. The Operations carried on at Birmingham and at Manchester are so carried by a Mixture of Capital and Credit, are they not?

Credit is a Means of carrying them on, because Credit is a Means of obtaining another Man's Capital.

1589. Is not the Business of Manchester in fact carried on partly by Capital and partly by means of other People's Capital, by means of Credit upon Bills?

The Trade of Lancashire, like every Description of Trade in this Country, is carried on by Capital, that Capital being partly the Property of Persons immediately engaged in the Trade and partly borrowed by them from other Persons through the Medium of Credit. An Interruption to Credit is an Interruption to the Facility of so borrowing other People's Capital to carry on Trade.

1590. From your Experience can you state, taking a Manufacturer with 20,000 *l.* of Capital, what Amount he would use in his Operations in the Shape of Credit? Supposing he starts with 20,000 *l.* worth of Capital, what Extent of Business could that Man carry on by using Credit in addition to his Capital?

That Question admits of no definite Answer. It depends upon a Thousand uncertain Circumstances. It depends not only upon the Capital but upon the Character of the Man, and also upon the Prudence of those who trust him.

1591. No Person is better able to give an Opinion, necessarily a speculative Opinion, upon it than yourself, as to the Extent to which Credit comes in aid and in support of the actual Capital of the Country in the great manufacturing Districts. Can you give the Committee any Notion of that?

If I understand the Meaning of the Question rightly it is this: What Proportion of the Trade of the Country is carried on with Capital belonging to the Persons who actually use it, and what Proportion with borrowed Capital? I think it is impossible to answer that Question.

1592. The manufactured Goods of Manchester are—a great Proportion of them—consigned on Credit and Bills are drawn upon Credit very largely?

Yes.

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1593. Do not you suppose that of late Years that has been carried on to rather an imprudent Extent?

I apprehend that the Occurrences of last Year have brought to light a very enormous Mass of Trade carried on on a very improper Extent of Credit.

1594. But at the same Time a large Proportion of Credit in aid of Capital is absolutely necessary to active Business?

I do not know that it is absolutely necessary. There is no Doubt that a large Proportion of very useful Business in this Country is carried on with borrowed Capital.

1595. The Amount circulating in Bills in those Districts must be very large?

Certainly.

1596. Has not there been in the manufacturing Districts a Stoppage and Derangement of Business consequent upon the monetary Distress of last Year?

There is no Doubt that during last Year the Extent of trading Transactions was greatly contracted. Diminution of trading Capital, in consequence of bad Harvest and other Circumstances, was the Cause which produced both monetary Distress and Diminished Activity in Production.

1597. And consequently, that the deficient Export of our own Manufactures must have prevented to a certain Extent that Influx of Bullion from abroad which might have assisted the Position of the Bank?

Monetary Distress tends to produce Fall of Prices; that Fall of Prices encourages Exports and diminishes Imports; consequently it tends to promote an Influx of Bullion. I can quote a Fact of rather a striking Character, which tends to show that a contracting Operation upon the Circulation tends to cheapen the Cost of our manufactured Productions, and therefore to increase our Exports. The very Morning that the suspensory Letter of the Government was issued I received a private Letter from a Person of great Importance in Lancashire, to this Effect: "I do not know whether you have any Influence with Her "Majesty's Ministers, but if you have let me implore you to entreat them to "be firm in maintaining the Act,—to be firm in resisting these Applications "for Relaxation. All the Manufacturers of Lancashire are now struggling to "resist the improperly high Price of the raw Material of Cotton; and in support "of that Effort all the Operatives are starving themselves by working short "Time; if any Relaxation is given, they will be in a State of Exasperation at "the improper Interference of the Government, by which the high Price of "the raw Material will be supported, and manufacturing Industry checked." That Letter reached me the very Morning that the Letter of the Government was issued, and almost immediately the raw Cotton rose in Price.

1598. The Writer of that Letter was probably a Man of considerable Substance, a very wealthy Man, with abundant Capital to carry on his Business?

He had recently retired from Business. I can state another Circumstance that occurred in London corroborative of the same Results. Within Half an Hour of the Time that the Notes summoning the Court of Directors of the Bank specially on the Monday Morning were issued, Parties, inferring probably from that Fact that a Relaxation was about to take place, sent Orders to withdraw Goods from a Sale which was then going on; the Goods being such as would probably have been bought for Foreign Export. Those Circumstances show most strongly the corrective Influences which arise from monetary Pressure, and the Difficulty of foreseeing all the inconvenient Consequences which may arise from Interference.

1599. The Opinion of that Gentleman in Lancashire must have been, that that Distress for Credit and Capital in Liverpool was really, instead of being an Injury, a great Benefit to the manufacturing Interests of that Part of the World, inasmuch as it checked the Price of raw Cotton at Liverpool?

The Opinion went undoubtedly to this, that monetary Distress has a general Tendency to throw down Prices, and that the Fall of the Prices of the raw Materials encourages manufacturing Production, and tends to increase our Foreign Exports. He looked to the Interests of the Manufacturers, Masters and Operatives. The Master Manufacturers and Labourers wanted to extend the Market for their Productions by the Increase of our Foreign Exports, which had been checked by the high Price of the raw Material of Cotton,

which

which high Price of the raw Material of Cotton they conceived to be the Result of Combination and Speculation at Liverpool, and which Speculation they expected must have broken down if the Government had not interfered. The Government did interfere; and undoubtedly the Effect was an immediate Rise in the Price of raw Cotton.

1600. You stated that that was a Letter from a Gentleman who had retired from Business; had you the same Information from any Persons actually engaged in Business?

It was, I believe, the common Impression of the Manufacturers in Lancashire.

1601. You believe it to be the general Opinion of the Manufacturers in Lancashire that the monetary Pressure upon them during the last Year has in reality been no Injury but rather a Benefit to them?

I have not stated that. I believe the Fact to be that the Opinion of People in Lancashire upon the Propriety of issuing that Letter was extremely divided, and divided upon a Principle very obvious. All Parties interested in upholding the Prices of raw Materials or imported Articles would naturally approve of a Measure which facilitated that Result, whilst the Consumers of those Articles might as naturally take a different View of the Question.

1602. You are aware that Reports are made to Parliament annually by the Inspectors of Factories in those Districts. One of those Inspectors, Mr. Saunders, a Person probably wholly unconnected with Manufactures himself, made a Report last Year to the Government of the State of Things in the manufacturing Districts, and in his Report there is this Observation: "All the Sub-"Inspectors refer, as the principal Cause of the present Depression in Trade, "to the State of the Money Market, and the Impossibility that any Branch "of Business can afford to pay a Discount of Eight per Cent. for the Cash "necessary to carry on the Business." Are you of Opinion that that Gentleman, who lives amongst those Manufacturers, and inspects them, and all the Sub-Inspectors, are mistaken as to the Operation upon the Manufacturers of the monetary Disturbance of the past Year?

I think that in the Passage quoted the Distinction between the Want of Money and the Want of Capital is not sufficiently alluded to.

1603. Are you aware that Mr. Saunders is in no Way connected with the District of which you spoke before, that his Duties are entirely exercised in the manufacturing Districts of Yorkshire?

I have no Knowledge of the Sphere of Mr. Saunders's Duties. The Fallacy which pervades the Passage in question is, no doubt, very common. Persons of Station and Authority have countenanced the Doctrine, that the high Price of Money stops all Trade and ruins every thing; but if they would look further and ask what is the Cause of the high Price of Money they would find that it is the Want of adequate Capital, and they would have no Difficulty in seeing from what Causes that Want of Capital has arisen.

1604. Supposing you had the Evidence of a Birmingham Banker, who stated that a Manufacturer applied to him for Assistance to execute a Foreign Order, which he represented to be a very advantageous one, and that the Banker said, "I will assist you, but I must have Eight per Cent. Interest;" in reply to which the Manufacturer said, "I cannot pay any such Interest, for that would absorb the whole Profit I should make upon the Execution of the Order;" if such Evidence as that were produced before this Committee would not that have Weight with you in confirmation of the Opinion that the Distress for Money in the last Year has extensively injured all the manufacturing Interests of the Country?

No. I should proceed to analyze that Statement, and to look a little deeper into it, and I think I should soon come to the Conclusion that, finding no Diminution of the Bank Notes with the Public, the Distress for Money must be the Result of a Distress for Capital; that in fact the high Rate of Interest and the Depression of the manufacturing Interests was the necessary Result of the Diminution of the national Capital applicable to manufacturing and trading Purposes.

1605. But you admit that there has been an increased Rate of Interest for Capital through the Year?

The Facts respecting the Rate of Interest are perfectly notorious. There was an increased Rate of Interest through the greater Part of the Year.

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1606. Must not the Efforts of Houses such as you have described to exist to extend their System of Credit, with little or no Possession of Capital, be always ultimately attended with injurious Effects to Houses possessed of Capital, and extending their Credit only in proportion to their Capital?

If Credit be extended too boldly there will be Periods when that Credit System, being subjected to severe Trial, gives way; and, as a necessary Result, the general State of Confidence is disturbed, and even the provident Trader experiences considerable Inconvenience.

1607. So that a person possessed of Capital, however prudent he may be, is not safe from the possible Effects of Speculations undertaken by Persons possessing little or no Means, and carrying on their Speculations without Reference to their Means?

When a Period of Confusion arises from the breaking down of a System of undue Credit, those who have traded even upon sound Principles are exposed to Inconvenience, more or less, according to Circumstances.

1608. You have been very much questioned as to your Opinions upon the Subject of the Issue of the Government Letter; but it has been assumed all along in the course of your Examination that that Letter was a simple Relaxation of the Power of the Law as affected the Bank's Issue of Paper; but you are aware that that Permission was accompanied by another Condition, which was a great Security upon the Exercise of it?

Undoubtedly the Letter would have been a most dangerous Measure if it had not been accompanied with an absolute Restriction as to the Rate of Interest.

1609. You are decidedly of opinion. that unless the Government, in issuing that Letter, had accompanied their Permission to make Advances with a very considerable Restriction upon the Rate of Interest at which those Advances were to be made, that Letter would have been an extremely dangerous Step?

A most dangerous step.

1610. You said that it was a Matter of Notoriety that the Variations in the Rate of Interest in last Year had been very considerable. Can you state what they were in relation to the anterior Crisis in 1837 and 1839?

I cannot give a precise Answer to that Question. The Rate of Discount upon Bills of Exchange taken alone is not a fair Standard by which to measure the Variations in the Value of Money during the different Crises. Under the former Crisis the Influence of the Usury Laws was in operation; not actually in 1837, but the Operation of the Usury Laws upon the Habits of the Community with reference to the Discount of Bills was not then worn away. Therefore the Rate of Interest upon Bills of Exchange is not a fair comparative Standard for those different Periods. You should look at various Indications; you should look at the comparative Extent of the Fall in the Public Funds; you should look at the Fluctuations in the Price of Exchequer Bills; you should inquire at what Rate Money was raised in the Stock Market; you should combine all those Results together before you can correctly estimate the comparative Variations of the different Crises.

1611. Confining the Question, at present, to a Return before the Committee which has been prepared by Mr. Gurney, showing the monthly Variations in the Rate of Interest from 1824 to 1847, it appears that, as far as Mr. Gurney's Rates of Discount are concerned, the Variation between the highest and the lowest Rate charged in the Year 1837 was Two and a Quarter per Cent., in 1839 it was Two and Three Quarters per Cent., and in 1847 it was Six and Three Quarters per Cent., being a Variation from Three and a Quarter to Ten per Cent. Now, can you state practically whether the Difference between the highest and the lowest Rate of Interest in 1847, as compared with anterior Years, is fairly represented by those Facts?

I presume that the Facts in Mr. Gurney's statement are correctly set forth as showing the different Rates at which he discounted at those respective Periods; but if they are taken as showing the relative Amount of the Variations in the Rate of Interest generally at those different Periods, I think they are quite insufficient for the Purpose, and will lead to incorrect Conclusions.

1612. Waiving

1612. Waiving all reference to these tables, was the Difference between the highest and the lowest Rate of Interest in the Year 1847 greater or less than it was in the Year 1837 and in the Year 1839?

I speak with some Hesitation upon that point; but my Impression is, that the Fluctuation in the Value of Money as indicated by the Rate of Interest, was somewhat greater in 1847 than it was in 1837 or 1839: but that it was less than it was in 1825. It must be remembered, moreover, that an Increase in the Value of Money, through a Rise in the Rate of Discount, was the necessary Means for protecting the Bullion; and in proportion as the Causes producing a Drain of Bullion were of unexampled Magnitude, the legitimate Means of checking that Drain must be resorted to with proportionate Power.

1613. You say, "somewhat greater;" to what Extent should you say?

I do not know how you can measure it. The Rate of Interest upon different Securities and through different Forms of borrowing will be different. In one Period of Pressure the Fluctuations may be more powerful in one Class of Security, and in another Crisis more powerful in another Class of Security. I believe that the Comparison of the recent with preceding Crises, as regards the Extent of Fluctuation in the Rate of Interest, if measured by the Rate of Discount upon Bills, will be more unfavourable to the Year 1847 than if it is measured by any other Test, such as the Fluctuation in the Price of Exchequer Bills, or the Rate at which Money might be borrowed on the Stock Market.

1614. Is not the Fluctuation, as shown on the Discount of mercantile Bills, a Fluctuation which most immediately affects the manufacturing Interests of the Country?

There again it becomes necessary to pursue the Subject to the Bottom, because the Fluctuations in the Rate of Discount upon mercantile Bills were checked formerly by the diminished Power of resorting to the Discount of mercantile Bills. Many Parties probably in 1847 got their Bills discounted by paying a high Rate of Interest, who on former Occasions would not have got their Bills discounted at all.

1615. You mean that they were checked by the Usury Laws?

And by the Effect produced upon the Habits of the Country, even after the Laws ceased to be in existence.

1616. What are the Variations in the Rate of Discount charged by the Bank of France as compared with those charged by the Bank of England during that Period?

I have not attended to the Operations of the Bank of France, but I believe that the Fluctuations of the Rate of Interest in France are far less than they are in this Country.

1617. When you were examined upon this Subject in 1840 you stated truly that the "Rate of Interest in France is a great deal more steady than it is in "England;" and you stated that there were Two Circumstances to account for that: "first, that the Currency of France may be considered as virtually a "Metallic Currency; that consequently all Oscillations in the Rate of Interest "which arise from an unnatural State of the Currency in any other Country are "avoided in France;" and that there is less commercial Speculation. Was not the Object of the Act of 1844 to produce an Equality of Value between the Paper and the Gold which it represented, and to make it vary in the same Manner as a Metallic Currency would have varied?

Undoubtedly.

1618. You conceive that Operation to have succeeded?

Yes.

1619. Then would not the Consequence of that be, as far as the Steadiness in the Rate of Interest in France was produced by the greater Proportion of its Metallic Circulation, to have brought the Rate of Discount in England to a steadier Amount after the passing of that Act of 1844 than it had been anteriorly?

I apprehend that the Effect of the Act of 1844 was to remove whatever Fluctuations, either in Prices or in the Rate of Interest, had occurred from bad Regulation of the Paper Circulation previously; meaning, by bad Regulation,

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tion, Fluctuations in the Amount of Paper Money which would not take place in the Amount of Metallic Money; but I conceive that the Fluctuations in the Rate of Interest in France are much more attributable to the limited Extent of their Credit System as compared with England. In speaking upon the Subject I should state that I have no particular Connexion with France and no practical Experience of the monetary Operations of that Country; but there is a short Passage upon that Subject in a Pamphlet recently published by Mr. Hubbard, a very intelligent Merchant, largely engaged in Exchange Transactions, and a Director of the Bank of England, which I am glad to quote in support of my own Opinion. He says, "The commercial Interests "of England have suffered so much more than those of her Neighbour, "because her Credit System is so much more extended." I perfectly concur in that Opinion.

1620. Are you aware of the Amount of the Discounts during the last Year granted by the Bank of France?

I have not attended to them.

1621. You are not aware that they did not amount to Half a Million?

I believe they are quite trifling compared with the Transactions of the Bank of England?

1622. In the month of October when the Reserve of the Bank of England was reduced to its Minimum, are you aware whether, at that Period, there happened to be, coincidently with that, any Demand on the Part of the Government for any Advance whatever on Deficiency Bills?

The Government Balances in October appear by the Returns to be large.

1623. You are aware that at Times when the Balance in the Exchequer is not adequate for the Payment of the Dividends of the Quarter, there is then an Advance made by the Bank upon the Security of Deficiency Bills?

Yes. I understand that the Government borrow Money to pay the Dividends when they are not in possession of the requisite Funds otherwise.

1624. In the month of October, when the Bank Reserve was reduced to its Minimum, it appears that no such Operation was required. Now what would have been the Condition of the Bank, if the average Amount of the Government Advances of Two or Three Millions had been required at that Period?

I apprehend that the Bank in that Case must have diminished its Advances in some other Form.

1625. Then the Bank must have limited its Advances upon commercial Securities, to the Extent to which it increased its Advances upon the Government Bills?

That does not follow; it might have diminished its Advances upon Government Securities, and on private Securities, which are not commercial Securities. It must have diminished its Advances upon Securities of some kind or other.

1626. Then would not that Preparation to supply the Government have diminished the Accommodation which it was enabled to give to other Customers?

It must have diminished its other Securities of some Kind, which might be Bills of Exchange or Government Securities (Sale of Stock), or which might be private Securities not directly connected with commercial Transactions. To whatever Amount it lent to the Government, to the same Extent it must have diminished its other Advances upon some other Class of Securities.

1627. Supposing that at that Time such an Operation had been performed, what Effect do you think it would have produced upon the commercial World under the Circumstances of that Period?

I cannot pretend to answer that Question, without having the Course of the Transaction distinctly before me. I presume that the Government would not come unexpectedly without Warning to borrow a large Sum, but that it would be know beforehand by the Bank of England, and the Bank would make its Arrangements for that Purpose, and those Arrangements being judiciously made, I do not think any great Difference would arise in consequence of the Form of the Security upon which the Advances were made, provided the same Sum was actually advanced. Something of that sort did occur in October.

The

The Government accumulated a Fund this August and September, in the Hands of the Bank, which the Bank lent out to be repaid in October, for the special Purpose of meeting the Dividends.

1628. Supposing any Circumstances considerably to reduce the Balances in the Exchequer at a Period of a very small Amount of Reserve on the Part of the Bank as in last October, do you think that the Wants of the Government could be supplied under the Act of 1844, without a very great Increase of Pressure upon the commercial Community?

I think that Question ought to be put to the Bank Directors rather than to me, because they know what previous Arrangements they would make to meet that Circumstance; but upon general Grounds I should have no hesitation in saying that the Bank, knowing that the Government would require from them a considerable Advance at any given Time, would not find it difficult to so arrange their general Transactions as to be enabled to make that Advance without materially disturbing the public Interest.

1629. You think that Advance could have been made in the month of October, without materially disturbing the public Interest?

Provided the Bank had had Notice in sufficient Time to make their Arrangements accordingly.

1630. Which do you think is the more desirable Course for the Bank to take in a Time of great commercial Pressure, whether to pursue their former System of maintaining the Rate of Interest upon their Advances at as nearly the same Point as possible, and to restrict the Amount which they grant, making Distinctions as to Character, or to pursue the Course they have lately adopted of varying their Rate of Interest, and checking the Amount of Advances by the Rate of Interest?

I think it is desirable to let the Rate of Interest vary according to the natural Effect of Circumstances, and that any Attempt artificially to restrict that Operation will produce more Evil than Good.

1631. The natural Course would be to allow the Rate of Interest to find its own Level, having respect to the Amount of Capital in the Country and the Demand?

Certainly.

1632. And, therefore, you conceive that in Times like that through which we have lately passed, it is a preferable Course for the Bank to take to manage their Discounts by varying the Rate of Interest according to the Value of Capital at the Time, rather than to pursue their former Course of allowing the Rate at which they made the Advances to remain at the same Point, merely drawing an artificial Distinction with reference to the Character of the Securities upon which they should make Advances?

I think it an unfortunate Thing that the Bank should have any Connexion with the Rate of Interest in such a Form as to leave an Impression upon the Public that the Bank in any Degree regulates that Rate. It is very desirable that the Rate of Interest should take its natural Course, and that the Bank should conform to it. If the Bank is to continue as a large discounting Body (of the Expediency of which I entertain considerable Doubts), I think it very desirable that its Rate of Interest should conform to the real Market Value of Money.

1633. You consider that the Market Rate of Interest should be determined by the Value of Capital or the Extent of profitable Employment to which it can be put?

Certainly, by the relative Proportion of Supply and Demand.

1634. Is not it determined by Two practical Causes; first of all, the Use and Application of Capital to profitable Purposes; and, secondly, its Application to relieve any Distress and Pressure that may be artificially created? Now, we see in these Returns before the Committee, that the Bank have varied their Interest at different Periods from One and Three Quarters per Cent. in October 1844 to Nine per Cent. in January 1848; and the Committee have had Evidence that the Bank has actually demanded Ten per Cent. from Persons applying to it with the best possible Securities. Now, do you consider that

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the Business of any great commercial Country can ever be properly carried on with a Variation in the Rate of Interest between One and Three Quarters and Ten per Cent.

I apprehend, in the first place, that the Bank of England has not the Power of controlling the Rate of Interest; that if Circumstances occur naturally producing very violent Fluctuations in the Rate of Interest, the Bank of England, like everybody else who has Money to lend, must conform to those Rates. The Bank of England is in no Way whatever responsible for those Rates; and if it were to attempt to control them the Effect would be to make the Variations much greater. To the second Part of the Question, whether the Commerce of the Country can be carried on under such Fluctuations of Interest as those described, I answer, without the slightest Hesitation, Yes. I have no Doubt whatever that, notwithstanding such Fluctuations as those which have actually occurred in this Country, the Commerce of this Country will continue to prosper. I have no Doubt that the commercial Prosperity of this Country will be restored, and even be placed on a firmer Foundation by the Events of last Year. I answer further, that such Fluctuations of Interest do take place frequently in the most prosperous commercial Countries in the World. If the Committee will refer to the published monthly Circulars respecting the Rate of Interest in the United States during the last Year, they will find Fluctuations much greater than that; yet the Commerce of the United States, there is not the smallest Doubt, has been and will be carried on successfully. If the Committee will refer also to Hamburg they will find that it is precisely the same there; and I believe they will find that in Holland also, though not to the same Extent as in the United States and at Hamburg, great Fluctuations in the Rate of Interest periodically take place.

1635. Are you aware that in Hamburg there is no public Bank of Discount whatever?

I am aware that in Hamburg there is no Bank which advances its own Capital or that of its Depositors on the Discount of Bills of Exchange.

1636. Are you not aware that no Banks in the United States ever discount otherwise than at legal Interest; that though there may be a higher Rate of Interest charged elsewhere, yet that in fact none of the Banks in the United States can by Law discount otherwise than at their legal Interest, which legal Interest does not exceed Six per Cent.?

That Fact, in all probability, may be connected with and tend to account for the very great Fluctuations of the Rate of Interest in the United States. It seems to me to verify what I stated, that the Attempt to restrict artificially the Rate of Interest will produce greater Fluctuations.

1637. You say that the Bank of England has no Power to Influence and does not influence, the Rate of Interest?

I mean that the Bank cannot exercise any real permanent Influence upon the Rate of Interest, making it higher or lower than natural Circumstances would determine. Of course I do not mean to say that if—the usual Rate being now Four per Cent.—the Bank To-morrow were to say, "We will lend Money at Three per Cent.," that would not have the Effect of lowering the Rate of Interest temporarily for a short Time. The Effect would be largely to increase the Demands upon the Bank, which the Bank could not long continue to meet at that Rate.

1638. Do not you suppose that a great Bank, such as the Bank of England, with a large Capital, with large Deposits, both private and public, and with an exclusive Power of issuing Paper in London, and having its Notes a legal Tender all over the Country, does not, in fact, regulate, in a Market like that of London, the Rate of Interest, by occasionally offering Capital at One and Three Quarters per Cent.; and when that Capital so offered at a low Interest has been taken by the Public, and Credit largely founded upon it, has not the Bank then the Power, by restricting its Facilities, just to put what Extent of Interest it pleases upon the Public?

I apprehend that the Rate of Interest is really the Rate which Borrowers are willing to pay for the Loan of Capital, and that nothing can really and effectually alter that Rate but that which alters either the Supply or the Demand. The Bank of England, so long as the Amount of its Advances remains

remains unaltered, has no Power of arbitrarily regulating the Rate of Interest. If the Bank of England, being largely possessed of Capital, choose to say, "We will cease to lend any Capital, we will hoard it in our own Cellar, unprofitably to ourselves and to others," they might raise the Rate of Interest by abstracting loanable Capital from the public Market. As long as the Bank fairly employs the Means at its Command, the Bank has no Power of regulating the Rate of Interest; that is determined by the Proportion between the Supply and Demand of loanable Capital.

1639. Is not the Rate of Interest completely arbitrary when the Bank has to deal with a Merchant who has Engagements to pay which he cannot pay otherwise than through the Facility which he asks from the Bank? Cannot the Bank, in those Cases, command almost any Interest that they please to ask?

Undoubtedly not. There is sufficient Competition on the Part of other Lenders to keep the Bank of England comparatively in order in this respect, and to reduce the Bank to the ordinary Character of a Competitor in the public Market. We have often known the Market Rate of Interest to be above the Bank Rate, and often below the Bank Rate; a clear Proof that the Bank cannot regulate the Rate. If the Bank has the Power of regulating the Rate of Interest, why does it ever consent to make Advances at the low Rates mentioned in preceding Questions?

1640. Mr. Gurney stated to the Committee that being asked by the Bank Ten per Cent., he felt that if they had asked Fifteen he would have been obliged to give whatever the Bank chose to exact. Do you think that Statement must be a Mistake?

I would rather not be called upon to comment upon Mr. Gurney's Statements. I think I have stated my Views with sufficient Distinctness, and the Reasons on which they are founded.

1641. Do you think that the weekly Publication, under the present System, of the Bank's Affairs has been useful or otherwise?

I have no Doubt that the Publication of the Accounts of the Bank of England has been eminently useful in instructing the public Mind, and affording Information of great Value for the Regulation of mercantile and monetary Transactions.

1642. You do not see that there has been any Danger or any Panic produced by giving the Accounts in their present Shape rather than in the somewhat less intelligible Shape of the Averages which were previously given?

I was formerly examined upon the Question of the Averages, and I retain the Opinion which I then gave, that they were a most unsatisfactory Mode of depriving the Information of its most instructive Characteristics.

1643. Do you see any Objection to a greater Proportion of Silver being included in the Bank's Reserve than is now allowed?

That is a Question to which I have not directed my Attention, and I should not like to give a decided Opinion upon it.

1644. Sometime since you were questioned with respect to the Export of Gold at the Commencement of the Year 1847; now if you look at the Return you will observe that the first Two Columns of the Return comprise the Amount of British Gold Coin and of Foreign Gold Coin Bullion exported in the Year 1847. On looking at the Details of that Return does not it appear on the Face of it that at the Commencement of the Year 1847 there was no One Country, no Portion of the World, with which we were in communication, towards which there was not an Export of Gold taking place, large or small?

Of course these Tables tell their own Tale, and I need not read them to the Committee; but I am quite sure that the universal Understanding in the whole commercial Community is, that from January to April last Year there was a Drain of Gold to various Parts of the World, one of the severest Drains to which this Country was ever exposed, and one eminently demanding those Measures, whatever they may be, which sound Principle dictates for the Purpose of protecting the monetary System of the Country. It was a Drain of Gold for Foreign Purposes in the fullest Sense of the Word; and if we had

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abstained from the necessary Measures of Protection, if we had endeavoured by further Increase of Issues to check the Rise in the Rate of Interest and the Fall of Prices, the Result would have been fatal to our monetary System.

The Witness is directed to withdraw.

Ordered, That this Committee be adjourned to Monday next, Two o'Clock.

Die Lunæ, 6° *Martii* 1848.

The LORD PRESIDENT in the Chair.

Evidence on the Commercial Distress.

G. C. Glyn, Esq., M.P.

6th March 1848.

GEORGE CARR GLYN Esquire, a Member of the House of Commons, attending, is examined as follows:

1645. You have been for many Years connected with Business in the City of London?

I have been in Business upwards of Thirty Years.

1646. Have you been, during any Part of that Time, in the Direction of the Bank of England?

Not during any Part of the Time. The Constitution of the Bank Court at present prohibits Bankers from acting as Directors of the Bank of England.

1647. Have you had Occasion to form an Opinion as to the Causes of the Distress which occurred in this Country and in the City of London in April last Year and again in the Autumn of last Year?

I have had an Opportunity of observing the Pressure which existed at those respective Periods, and of considering in some Degree the Causes from which I think it arose.

1648. Will you be so good as to state what, according to your Opinion, those Causes were, distinguishing those which more particularly affected the Pressure which occurred in April, and those which affected the Pressure which occurred to a still greater Extent, later in the Year?

I consider that the Pressure which occurred in April 1847 arose principally from the large Importation of Corn and other necessary Articles of Food, and I consider also that the Foreign Exchanges have been affected by the Operation of those Causes, the Pressure in point of fact was necessary, and was carried only to the Extent which was required for the proper Re-adjustment of the Foreign Exchanges. The Foreign Exchanges were re-adjusted, and in the course of the Autumn set strongly in favour of this Country. The harvest turning out very good in the months of August and September, large Failures occurred amongst the Speculators in Corn. Those were the first Occurrences of that Description that took place in this Country; subsequently they were followed by large Failures of other mercantile Houses. That went on down to the End of September, the Pressure gradually increasing, but not to the Degree which it arrived at in the Course of the following Month, when there was superadded to all those Causes which had been operating before a great Degree of Discredit and Want of Confidence throughout the Country, which was very much increased by the Failure of Banks in Liverpool and in other Parts of the Country, and during the Week ending the 23d of October by a general Distrust that seemed to operate amongst nearly all mercantile Classes, and was rapidly extending itself to the Banking Establishments throughout the Country, very much resembling, in point of fact, at that Time, what occurred in the Year 1825. The other Symptoms of 1847 had been entirely dissimilar up to the Middle of October 1847; but in the last Week before the Issue of the Government Letter the Symptoms of Want of Confidence which presented themselves were very much like those which occurred at the End of 1825, There appeared a Want of Confidence in the Country generally, which caused Country Bankers to look for the assistance of their London Correspondents, and which apparently, if it had not been for the Letter of the Government, would have gone to a very great Extent. In point of fact, the Difference between the Two Periods of April and of October was extremely striking. The Pressure of April was very soon over, and the Bank did every thing within its power for the mercantile Body at the Time.

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Although they had been obliged to restrict their Operations very much, yet they attended to the Applications made to them, particularly those from Liverpool and some other places. But the Pressure that occurred in October last arose apparently from entirely different Causes. It proceeded from an apprehension on the Part of all mercantile Men that the Want of Confidence was becoming so great that at last the Reserves of the Bank would be driven down so very low, that, in point of fact, Persons who were possessed of Property would not be able to convert that Property into Bank of England Notes.

1649. In your Answer you have not referred at all to the increased Demand for Money on account of Railways. Are the Committee to understand that you are not of opinion that the increased Demand for Payment on account of those Speculations had any Share in causing the temporary Distress to which you have been alluding?

I think it certainly aggravated the Evil, and am ready to admit to this Extent, that as we were at the Time importing a considerable Quantity of Food, necessarily in consequence of the Famine of the previous Year, the Employment of a large Number of Railway Labourers at high Wages, and of Persons engaged in the Manufacture of Iron for Railways, and so forth, added to the Amount of the Imports which were required for the Purposes of the Country. I also admit that the Competition in the Money Market of the Railway Companies for the Purpose of keeping their Engagements, raising Money on their Debentures, and by Calls, also added very much to the Evil pressing upon the mercantile Body; they were powerful Competitors against the mercantile Classes. But I am not prepared to say that it went further than that as a Cause. I believe that though there was a Quantity of Capital called up for Railways, yet it circulated through the Country rapidly, and I am certain that as every Ten or Twenty Miles of Railway were opened a very large Quantity of fixed Capital was released, by enabling the Shopkeepers in all the Towns to hold comparatively short Stocks of Goods. That Release of Capital, which has taken place in this Country since the opening of Railways has been to a very large Amount indeed; and in that Way it has counterbalanced in a great Degree the Quantity of Capital which has been transferred from floating Capital to fixed, which might otherwise be supposed to have been an Evil.

1650. Has not also the great Saving in the Carriage of Goods had the same Effect?

Certainly, there is a Saving in the expense of Transit. But I look more at the actual Saving in the Amount of Capital which was formerly locked up in the Stocks of Retail Dealers which has been decreased from the increased Facility of obtaining Supplies.

1651. They carry on Business more from Hand to Mouth?

Yes, they do.

1652. Can you form any thing like an Estimate of the Amount to which Capital has been so released?

I have tried to do so, but it is almost impossible to arrive at a Calculation. My Knowledge of the Fact is derived from Questions that I have put to some large Dealers in some of the principal Towns, and they all concurred in this Result.

1653. And that Economy is increasing as the Country becomes more completely opened by Railways?

Yes.

1654. The great Amount of Railway Speculation was in 1845 and 1846, was not it?

In 1845 and 1846 was the great Increase in the Number of Railway Bills granted.

1655. During those Years can you state what was the general Rate of Interest?

The Rate of Interest was on the Average low during those Years, and it is also low at this Time. If the Transfer from floating Capital to fixed had been felt to any great extent throughout the Country it would be felt now, inasmuch as the Railway Calls have gone on.

1656. When

1656. When it happens that several large Railway Calls are advertised about the same Time is the Effect felt in the Market?

Not particularly; but it is impossible to deny the Fact that it must act upon private Individuals who have put down their Names for a great Amount of Railway Shares; if they are in Trade, their Trade will feel it.

1657. But its Effect is not felt upon the general Circulation?

It passes from one to another very rapidly. The Railway Directors pay it to the Ironmasters and Contractors, and the Contractors pay it to the Labourers, who spend the Money with the Shopkeepers. It circulates very rapidly. It is not kept long by the Railway Directors, I can answer for that.

1658. Has it not caused considerable Pressure upon the small trading Classes?

In some Parts of the Country. There is no Doubt that many Shopkeepers and small Manufacturers went into Railway Transactions to a much greater Extent than they were warranted in doing, and that has pressed and is pressing upon them.

1659. That must have a serious Effect in some Places upon the Condition of Trade?

It had an Effect certainly upon those Individuals in that respect.

1660. By withdrawing Capital which should have been applied to Business?

Yes. Manchester has always been considered a Town where Railway Speculation has been carried to a great Extent, but Manchester did not suffer so much as other Towns during last October.

1661. Do you think that the Circumstance of the Government having been compelled to raise a large Loan in the course of last Year had any Effect in aggravating those Difficulties?

No Question about it, for a Time.

1662. The Loan was paid rather more rapidly at last than the original Terms had required?

There was an Alteration in the Term of Payment. After the Loan had been in the Hands of the Public for some time there was a Discount allowed for Prepayment.

1663. Do you think that that had the Effect of aggravating the Difficulties, by still more diverting Capital from the regular Business of Trade?

It had the Effect of taking Money out of its usual Channels, but it had no other Effect than that; it was only paid from Lombard Street into the Bank of England.

1664. Then if in 1845 and 1846, when the Interest of Money was not high, there arose a great Demand upon the commercial Community for obtaining Accommodation for Railway Expenditure, you think that did not produce any serious Pressure?

It did not go to any great Extent; it cannot be called a great Evil.

1665. You have stated that the Employment of so large a Number of Railway Labourers might have had some bad Effect by creating a greater Consumption of Food, but would it not at the same Time have the Effect of preventing a great Number of Persons from falling on the Poor Rate for Support?

No Question it would have that Effect in particular Parishes and Districts; but it still had the Effect of causing the Importation of a greater Quantity of Food to the Extent of the high Wages which the received for Railway Work as compared with what they would have had from agricultural Employment, or the Workhouse, and that is considerably more.

1666. Was not the great Extent of Speculation at that Time owing very much to the low Rate of Interest of Money?

It was.

1667. With that low Rate of Interest is it not probable that if the Money had not been employed in that Manner People would have sought to invest it either in Foreign Railways or in other Foreign Speculations?

Probably they would have sought Investment in some Shape.

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1668. As was the Case in 1836 and 1837?
And in 1825.

1669. To what do you attribute that low Rate of Interest?
I attribute the low Rate of Interest which has prevailed so generally since September 1844 to the Operations of the Bank of England in the Money Market.

1670. You mean by the discounting of Bills and doing that Description of Business which before the Act of 1844 the Bank was not in the habit of doing?
When the Bank Directors became merely Bankers under the Act of 1844 they took then the Course which naturally might be expected from them, of seeking for Discounts and Employment for Money, and they reduced the general Value of Money very considerably during the Autumn of 1844.

1671. Taking the Capital of the Bank of England as ordinary Banking Capital, together with the Capital which was in the Hands of the other Bankers of London, and considering it all to be available for the Purposes of Commerce, do you imagine that supposing there had been no peculiar Regulation with respect to the Bank of England the Market Rate of Interest would have been different from what it was?
I apprehend that if the Bank of England had not in 1844 sought for Discounts and Employment of Money in an unusual Way, according to its previous Mode of Business, the Rate of Interest would not have been so very low. They became Competitors in the Money Market with the usual Suppliers of Money to the mercantile Classes.

1672. Have you ever known the Rate of Interest so low as it was in the Year 1844 in the Discount of Bills?
No. I think it was lower in 1844 than in any Year within my Recollection. I think it was as low an One and a Ha lf per Cent

1673. Did the Bank of England at that Period ever lower its Rate of Interest below the Rate at the Time prevailing in the open Market?
I do not think I can answer that Question; but the Effect of their seeking the Employment of Money in the Way they did was to make the Brokers lower upon them.

1674. Are the Committee to understand that the Bank of England in the Management of their Affairs took a different Course in 1844 from what they had taken previously?
So it is understood.

1675. In what Way do you connect that different Course with the Enactments of the Act of 1844?
By the Act of 1844 they ceased to be Regulators of the Currency; they were were merely Bankers, and as Bankers they sought for the Employment of their Banking Means.

1676. You attribute that Change to the Provision of the Act of 1844 which separated the Issue Department from the Banking Department?
Decidedly, and to the Understanding which universally prevailed at the Time that they were in point of fact at liberty to act for their proprietors as Bankers.

1677. Do you conceive that there is any Reason why the Capital at the Command of the Bank should not be considered as Part of the available commercial Capital of the Country, like the Capital in the Hands of other Banking Establishments?
I am not in the least finding fault with the Action of the Bank Directors in so doing under the Circumstances they were placed in; I am only accounting for the Effect it had upon the Rate of Interest.

1678. Supposing the Fact to be that the Bank never lowered its Rate of Interest at any Period below the Rate prevailing in the open Market, do you conceive that such Alterations in the Rate of Discount by the Bank could have affected ordinary Trade?
I think the Position at that Time of the Bank of England with very large Banking

Banking Means naturally forced the Directors into seeking new Outlets for that Money which they would not otherwise have sought for. At that Time they became anxious to obtain Railway Debentures and Securities of that Sort, which under ordinary circumstances I believe they had not held to any thing like the same Extent.

1679. Supposing the Rate of Interest in the open Market was Two and a Half per Cent., and the Bank of England did not lower its Rate below Three per Cent. or Two and a Half per Cent., could it have the Effect of lowering the Rate generally in the Market?

The Bank of England caused the Rate to go below that.

1680. Did it go lower than the Market Rate of Money at the Time?

It went as low as the Brokers for the purpose of obtaining the Bills, and that forced the Brokers to go still lower.

1681. When Money is abundant are not the Brokers obliged to discount below the Rate at which the Bank discount?

It generally is so.

1682. Has there been any Change in the Practice of the Bank of England with respect to Discounts since the Banking Department was separated from the Issue Department?

I believe there has; that they have relaxed to a much greater Extent than they did previously.

1683. Can you more particularly describe in what respect they have changed their Practice?

They have taken for Discount a Description of Bills which previously they were not in the habit of discounting for Parties, at least not freely.

1684. Have not they also discounted long Bills, such as East India Bills, which they were not in the habit of discounting before?

I am not prepared to say whether they discounted such Bills, but I believe they made Loans upon them.

1685. Supposing the Rate of Discount in the Market to be Two and a Half per Cent., and the Bank to fix its Rate at Two and a Half per Cent., would the Bank have a certain Preference in the eyes of Applicants for such Discounts?

I think they would as compared with the Brokers. If they were really discounting at the same Rate as the Bill Brokers, the Merchants and Traders would give the Bank of England the preference.

1686. For what Reason?

For this Reason, that there is more Privacy in the Transaction. The Habit of the Bill Brokers is to part with their Bills either to private Bankers or to other Parties, and they get into Circulation. Now if they are in the Hands of the Bank of England they are locked up and not seen again, and that is a Point which mercantile Men regard very much.

1687. On the other hand the Bank are rather more strict than private Discounters in the Matter of Security?

That is the Point to which I alluded. They relaxed that Strictness of Rule, always taking care that they were dealing with Persons of first-rate Credit.

1688. Then it is that Preference of which you have just spoken which gives the Bank an Advantage as a Competitor, although its Rate of Discount may not be below that of the open Market?

Yes.

1689. You have stated that in consequence of the Operations of the Bank the Rate of Discount at certain Times since the Year 1844 has been very low. Has there been on the part of the Bank any Tendency to act in the opposite Direction, and to create a higher Rate of Discount than existed before?

There has been a higher Rate of Discount within a recent Period than was ever known within my Experience in the City.

1690. You allude especially to the Year 1847?

I allude to last Year.

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1691. The Fluctuations have been greater than you remember as a Banker during Twenty-five Years?

Unquestionably greater. The Rate of Interest in the Year 1847 was as high as Ten per Cent. The highest Rate of Interest that I can recollect previously within my Experience at the Bank of England was Six per Cent., and that was in the Year 1839, if I remember rightly.

1692. You recollect that the Pressure was very considerable in 1837 and in the Year 1839, and the Amount of Bullion in the Hands of the Bank upon those Two Occasions was reduced to a very low Figure. Were the Fluctuations in the Discount Market at all analogous to those in the Year 1847?

Nothing to compare with them as to the Amount of Variation and Change.

1693. You consider that the great Fluctuation in the Rate of the Discount of Bills, or in other Words the Interest that was paid for mercantile Accommodation, was one Cause of the Suffering of the Year 1847?

I am not one of those who think that the high Rate of Interest caused the Failures that took place. Of course it was an Evil inflicted upon the Mercantile Class; but the Failures which took place, I think, were not connected with the high Rate of Interest.

1694. Were the Fluctuations in the Rate of Interest and Discount at the Bank of England accompanied by any similar Fluctuations in the Rate of Interest at the Bank of France?

Not to my Knowledge. I believe the Fluctuations in the Rate of Discount at the Bank of France were very trifling. But I do not pretend to be very well versed in that Subject.

1695. To what Causes do you attribute the great Fluctuations that have taken place in the Rate of Discount in the London Market?

I think the high Rate of Interest in April last was the necessary Effect of an adverse State of the Exchanges, and the Exchanges being righted, as they were decidedly, in the Month of September, there then would have been under ordinary circumstances no Reason for the high Rate of Interest continuing, but the Discredit and internal Demand which had commenced; and there was during the end of September and all through October to the 23d a very considerable internal Demand.

1696. Do you connect that internal Demand with the low State of the Bank's Reserve as exhibited upon their published Accounts?

In a very great Degree. A great Want of Confidence and Discredit arose from the large mercantile Failures, and that drew People's Attention very much to what was occurring; then it struck the mercantile World that the Reserve of the Bank was very low, and in point of fact they began to fear that there would be no possibility of converting the Property which they had for the Purposes of their Business into Bank Notes.

1697. You stated in a previous Part of your Examination, that the earlier Failures were connected with Operations in the Trade in Corn. Did they extend to any and to what other Branches of Commerce?

They extended to the East India Trade very particularly, and to a very large Amount also to the Mauritius Trade.

1698. To what Causes do you attribute those Failures?

I think in the East India Trade there had been a good deal of over extended Credit for some Time. The Mauritius Failures arose from the large Amount which was locked up in Mortgages in that Island which they could not realize.

1699. And the depreciated Value of that Produce?

Yes.

1700. Does not an Examination into the Affairs of those Houses show that they had been in a very critical State for some Time before their Failure?

With some few Exceptions (and there are Exceptions) I am not prepared to say that those Houses ought not to have failed. As far as I am connected with any of them, there is none that ought not to have failed. It turns out now that in 1846 the East India Trade had been carried on upon a System of Credit to a very great Extent.

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1701. Are not you of opinion that the Bank lowering the Rate of Interest to so low a Point as you stated it to have been in the Year 1844 and subsequent Years, namely, as low as One and a Half, Two, and Three per Cent., thereby making Capital cheap, and the Operations of Credit very easy, must have a Tendency to make People carry on their Trade with more Imprudence, and to extend their Credit more than they would do if there was a more steady Rate of Interest of Money in the Market?

It gives an unusual Facility in raising Money, both upon Bills and also upon Warrants and other Symbols of Property, which, of course, always tends to lead to great Carelessness and Imprudence in the Mode of transacting Business.

1702. So that those Merchants, finding it very easy to get Credit upon favourable Terms, may have been led thereby to carry on their Operations upon Credit to an imprudent Extent, and may afterwards have found themselves caught by the Restrictions of the Bank, which made Capital afterwards very scarce and very difficult to be obtained upon any Terms?

There is no Question about it, that the Superabundance of Money at one Time always leads to that Result. It tends to an undue Extension of Credit in some Shape or other, and eventually to the Evil alluded to.

1703. Do not you think it very undesirable generally for the sound Commerce of the Country that there should be the great Fluctuation which has lately taken place in the Rate of Interest?

It certainly is a great Evil. At the same Time I think it must always be borne in mind that in the Case of an adverse State of the Foreign Exchanges, produced by varying Circumstances, an increased Value of Money is a necessary Consequence, and is the Corrective.

1704. Are you aware that in France the Bank of France for the last Twenty Years has never established a Rate of Discount higher than Five or lower than Four per Cent.?

I am aware of that Fact; but the mercantile Transactions of France are so different from the Transactions of this Country that it is scarcely a fair Comparison to put the Two together.

1705. The Transactions in France are much more limited in Amount?

They are much more limited in Amount.

1706. But, though the Operations of the one Country are more limited than those of the other, if the relative Proportions are the same, does it not act in the same Manner upon the Transactions?

It would. But I may also add, that previously to 1844 I am not aware, as far as regards the Bank of England, that you find much greater Variations of Interest than in the Bank of France. It never went higher than Six per Cent.

1707. And it only amounted to Six per Cent. upon one single Occasion?

Yes, 1839.

1708. What is your Opinion of the Influence of the Bank of England in regugating the Rate of Interest; does it follow the Market Rate of Interest, or does it command it?

It commands it under certain Circumstances.

1709. Under what Circumstances?

It commanded the Rate of Interest in October 1847. Under Circumstances of great Pressure upon the Country it commands the Rate of Interest.

1710. In Times of extraordinary Pressure do not the Discounts of the Money Brokers and Capitalists become extremely limited, and did they not in the month of October 1847 almost cease.

That is the Effect, and that is the Reason why I answer the Question in that Way; whenever the Discounts of the private Bankers or Brokers become comparatively limited, they fall upon the Bank of England, and then it is that the Bank of England has the Power of commanding the Market Rate.

1711. Looking at the Bank of England as a great Corporate Chartered Body, with its large Capital, with its extensive Power of issuing Notes, being also the sole Depository of all public Monies, and a large Depository of private Monies, do you consider it possible that such a body, wielding such Resources, and occasionally

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occasionally discounting freely, and then occasionally restricting its Discounts, can be in operation without essentially influencing the Rate of the Interest of Money in the Market?

Of course, it must have a considerable Influence upon it.

1712. You stated the Pressure to have been the greatest in October, just before the issuing of the Government Letter?

In the Week ending the 23d of October.

1713. Was not the Panic which then existed, and which contributed in your Opinion to the Distress, founded upon the Apprehension that the Reserve at the Bank was approaching to its entire Exhaustion?

There was a great deal of commercial Discredit at the Time also; but certainly the Panic, the absolute Panic, that prevailed, arose from the Fact that the Reserve of the Bank was so diminished, and that hoarding had gone on to such an Extent, although the Amount of Notes in Circulation at that Time was greater than usual, yet, in spite of that, the Panic was so great that Parties having Property to realize did not think that they could obtain Bank of England Notes for that Property.

1714. As a Banker, did not you, and do not you suppose that all Bankers, under those Circumstances, thought it only a Matter of proper Precaution to have a larger Stock either of Bank of England Notes or of Deposits in the Bank of England at that Period, than you would under other Circumstances?

Yes; and not only that, but we also thought it necessary to look to the Conversion of our other Property, and there was such difficulty in so doing that it was thought at last it would be impossible to convert Property into Bank Notes.

1715. Your House corresponds with a considerable Number of Country Banks?

A considerable Number.

1716. Do not you think that the same Motive which would naturally influence you in your own Transactions to increase your Reserve of Notes under such Circumstances would influence your Correspondents, and induce them in like Manner to strengthen their Reserve, so as to place them in a better Position to meet their Obligations?

That operated to a considerable Extent, and that was the new Feature prevailing towards the End of October.

1717. Have you any Means of arriving at a tolerable accurate Estimate of the Amount of Notes which would be withdrawn by the Operation of that Feeling from active Circulation?

It is impossible to arrive at any accurate Estimate. We know as a Fact that at that Time the Amount of Notes in the Hands of the Public was higher than usual, yet, apparently, there were not Notes enough to do the working Banking Business of the Country.

1718. To what Extent was the Amount of Notes at the Time apparently in the Hands of the Public above the usual Average?

They amounted at the Time to upwards of Twenty Millions, which is conderably above the usual Average of Notes in the Hands of the Public.

1719. What Indications were perceived of there being at the Time an insufficient Amount in active Circulation to meet the Wants of the Community?

The Pressure upon the Bank generally; the Reduction, in point of fact, which from Day to Day was going on of the Reserve in the Hands of the Bank, and of the Bankers, and which they were obliged to replace by the Sale of their own Securities and Property.

1720. Are the Committee to conclude, from the Evidence you have given, that the mere statistical Return of the Amount of Notes that are issued by the Bank of England at any One Period by no means represents the actual Circulation of the Country, without taking into account the State of the Money Market, and whether those Notes are required for the Augmentation of Reserves, or whether they are required for ordinary commercial Purposes?

There were upwards of Twenty Millions of Notes in Circulation on the 23d

23d of October; those Twenty Millions of Notes in the Hands of the Public were doing much less Work than Sixteen Millions would have done under ordinary Circumstances.

1721. Did that arise from the Distrust which those Bankers who had Money felt with respect to the Parties who wanted to borrow it of them?

It arose also from the Distrust of the Public, because there was an actual hoarding on the Part of the Public, and to a considerable Extent.

1722. But no Distrust of the Convertibility of the Bank Note?

Not for an Hour.

1723. If the Bank had been at liberty in October 1847 to meet those Demands, would not the Result have been that it would have, in fact, added scarcely any thing to the Amount of the Bank Notes which were in the Hands of the Public?

It could only meet any Demand by acting upon its Reserve; and this Reserve, on the 23d of October, including London and all its Branches, was down to 1,600,000*l.* in Notes, and about 400,000*l.* of Bullion. Therefore considering the Balance they had in hand in London alone, at that Moment, they had not wherewithal to make any further Advances.

1724. You mean under the Act of 1844?

Yes.

1725. Supposing the Act of 1844 had not been in operation, would the Bank, under those circumstances, have gone on extending their Facilities, and what would have been the Effect of that Course of Action under the Circumstances in which the Country then was?

Taking the Week ending the 23d of October 1847, when the Exchanges were decidedly in favour of this Country, if the Bank had extended its Circulation then, as it might have done without the slightest Danger, there is no Question that the same Result would have been effected as was brought about by the Letter of the Government which came out on the 25th.

1726. If that had been done, would not one Result have been that when those Demands for the Purpose of Banking Reserves and of hoarding had ceased there would have been a superabundant Circulation?

The very Fact of the Knowledge that the Bank of England were in a Situation (as they would have been if the Act of 1844 had not existed) to have discounted for the Brokers, for the private Bankers, if they required it, and for any Individuals who might want Discounts, freely, would have stopped the Demand upon them at once.

1727. The Motive for hoarding on account of the existing Distrust would not have existed, because there would have been a Party ready to lend to any Extent that might be required?

No; but the immediate Cause of the Panic, which arose from the Fear that Persons possessed of Property would not be able to convert that Property into Bank Notes, would have been at once removed.

1728. What was the Case on former Occasions of the same Kind; is it not the Fact that although the Bank then had the Power of making such Advances it did not prevent that Failure of Confidence which produced the same Effect which was produced in October 1847?

In 1825 their liberal Discounts for the Country Bankers and the London Bankers stopped the Panic at the Time.

1729. They ultimately stopped it when the Panic had arrived at an extreme Point; but before that, although the Bank had the Power to make Advances, and did make Advances, it did not prevent the Occurrence of that Panic?

It did not prevent the Failure of Houses which ought to have failed, nor will it ever, unless they make Advances upon improper Securities. But the Fear in October was not for insolvent but for solvent Houses.

1730. Did not the same Course of Events take place in 1825; did not Houses then fail which were in fact solvent, and which need not have failed under other Circumstances?

I believe not to any great Extent. I believe some of the Banking Houses paid off every thing.

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1731. You were understood to say that there were scarcely any Houses that failed upon the last Occasion in October that ought to have continued?
With some Exceptions.

1732. Was not that equally the Case in the Year 1825, that there were a great Number of Houses that were upon a sound Footing but which still were placed in great Jeopardy?
I do not think that any of the Banking Houses that suspended Payment in 1825 were in a Situation to have gone on, though some were solvent, for they had their Property locked up.

1733. Looking at the Case of 1825, when the Regulations of the Act of 1844 were not in operation, what Reason have we to suppose that if the Bank had been at liberty on this last Occasion they could have acted in some Manner which would have put a Stop to the Crisis which occurred equally upon both those Occasions?
The Bank of England, by what it did in 1825, did stop the Crisis; and the same Effect, I apprehend, would have followed in October 1847 if the Bank of England had had the same Power then of issuing its Notes without the Restrictions of the Act of 1844.

1734. Did not the Bank stop the Crisis at the End of October 1847?
The Letter of the Government stopped it, which abrogated the Act.

1735. Without any Infraction of the Act?
There was no actual Infraction of the Act as far as the Bank of England went; but the Fact of Removal of the Restriction by the Letter was the Removal of the Panic, and the Cure of the Evil.

1736. It produced the same Effect as if the Restriction had never existed?
It produced the same Effect as if the Bank of England had made an Issue; because it brought out the Hoards of Notes, and they went into Circulation.

1737. And thereby added to the floating Capital of the Country?
And thereby added to the Circulation of the Country.

1738. In fact the Letter removed for the Time the Act of 1844?
It removed the Cause of the Panic, which is stated to have arisen from the Act of 1844.

1739. Looking at the State of the Reserve after the Letter of the Government came on the 23d of October, through October, November, and December, and seeing that the Reserve constantly rose, and that at the same Time the Bullion rose with it, did not that favourable Turn in the Affairs of the Bank, and in the Facility of the Circulation of the Country, arise from the Act of 1844 being set aside by the Letter of the Government?
I consider that the Letter of the Government of the 25th of October having in effect got rid of the Clause in the Act of 1844 which limits the Amount of the Circulation to 14,000,000*l.*, produced the Effect alluded to.

1740. You were asked some Questions respecting the Discounts of the Bank of France. You are aware that the Bank of France raised its Rate of Discount from Four to Five per Cent. in the Month of January 1847?
I believe it did.

1741. And that the Bank of England did not raise its Rate of Discount to Four per Cent. till the 7th of April 1847?
I am aware of that Fact.

1742. Can you state whether the Bank of France at that Rate was able to discount all good Bills that were brought to it?
I am not intimately acquainted with the Transactions of the Bank of France; but my Impression is that they altered in some Degree the Date of the Bills, but refused no discounts.

1743. You stated that several Houses which failed ought to have failed, owing to the Way in which their Business was managed. Were not there several other Houses which were solvent, and whose Business was well managed, which have not failed, but which have suffered very heavy Losses?
Very great Losses indeed, having been obliged to realize Property, to keep up their Credit and to pay their Engagements, at a very serious Loss.

1744. Would

1744. Would not you draw this Distinction between the Panic of 1825 and that of 1847, that that of 1825 was confined to the Banking Interest, and that of 1847 to the Commercial Interest?

Yes, I draw that Distinction.

1745. That in 1825 it was from the Bankers locking up their Money in Securities instead of keeping it in an available Form, whereas in 1847 it was from the Want of Parties being able to get their Bills discounted to carry on their commercial Transactions?

I believe that several of the Banking Houses which failed in 1825 did so fail from their Funds having been locked up.

1746. Do you consider that this great Distinction between the Failures in 1847 and those in 1825, namely, the Absence of Banking Failures in London, was to a great Extent attributable to the restrictive Clauses in the Act of 1844, limiting the Transactions of the Country Banks?

I think that the Clauses of the Act of 1844 which limit the Issue of Notes by Country Bankers are a very wholesome Restriction.

1747. Previously to those Clauses do you conceive that the Bank of England possessed an adequate control over the State of the Circulation, or had the Means of acting through its own Operations upon the Foreign Exchanges?

Not to the Extent it has now. In point of fact the Circulation of Country Bankers being limited in the Way it is by the Act, makes the ultimate Regulation of the Circulation necessarily fall upon the Bank of England, because every Country Banker who requires more than his Average must have it in Bank of England Notes, and therefore, in point of fact, the Bank has really a Check upon the Country Circulation.

1748. Then those Clauses which impose that restriction upon the Country Circulation have your Approval?

They have, as bringing the Regulation of the Circulation under the Bank of England.

1749. The Consequence of that is, that Country Bankers now must be guided in their Operations very much by the Operations of the Bank of England, as shown by the published Statements of their Accounts?

They are put in this Position: they cannot issue above a certain Amount of Notes, and if they are obliged to accommodate their Districts with further Notes they must buy them of the Bank of England, or in the Money Market.

1750. Do you believe that it is in the Power of any Country Banker materially to extend the Issue of his Notes? Supposing you were to give entire Freedom to any Banker in England, whether in a manufacturing or in an agricultural District, to issue ad libitum, do you suppose that he would have the Power of keeping out to any considerable Extent Notes beyond what the Public choose?

I do not think he would have the Power of keeping them out for any considerable Time. I think the Exchange among Bankers would bring them in in a certain Time. But there is a limited Time for which they may remain out.

1751. Taking the whole Mass of Country Paper, supposing there were no Restrictions upon it, do you think they could enlarge their Issues to the Extent of a Million or Two Millions a Year?

I doubt very much whether they could for any extended Period; they might keep it out for a short Time.

1752. By an Exertion they could make could they swell the general Amount of Country Bank Notes out to make an average Addition of a Million in the Returns of the whole Year?

Not if you spread it over a considerable Period, but they might do it for a limited Period.

1753. During that limited Period, would there not be a very inconvenient Action upon Prices, as well as a possible inconvenient Action upon the Foreign Exchanges?

They might uphold Prices.

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1754. Might they not stimulate Speculation?
They might.

1755. Do you know whether the Circulation of the Country Bankers has ever been since the Act of 1844 even so much as up to the Mark that they were allowed?
I am not able to answer the Question generally. I know that in certain Districts it has been certainly up to the Mark.

1756. Do not they for their own Security think it necessary always to leave some Margin?
They run very close to the Margin.

1757. Was not there this Difference between the Case of 1825 and the Case of 1847, that in the Case of 1825 the great Issues which the Bank made at the End of that Year were not an Addition to the Circulation then existing, but a Substitution for all that Country Paper which had disappeared through the Circumstance of so many Country Banks having been broken?
No doubt of it. The Bank of England notes did replace a great deal of Country Circulation at that Time; but my Impression is, that there was an Addition to the Circulation for a Time also.

1758. Do you recollect what the State of the Exchanges was in 1825 from September to December, during the Period when the Country Banks broke?
I am not able to answer the Question as to the first Part of that Period, but I know that in December the Exchanges had turned in favour of this Country.

1759. Had not the Exchanges been very unfavourable for a considerable Portion of the Year 1825?
Decidedly.

1760. So that there was a large Export of Gold to France particularly?
There had been a considerable Export of Gold.

1761. The Gold that was in the Bank of England in 1825 was in fact drawn out and reduced almost to nothing, not for the Purposes of Exportation, but for the Purposes of the Security of the Country Banks, which were failing over all Parts of the Country; was not that so?
If my Recollection serves me right, the Stock of Bullion in the Bank had been reduced by the Export of Gold to the Continent in the early Part of the Year; but in November and December the Demand upon the Bank was for an internal Drain, which internal Demand was met by an Issue of Notes.

1762. Did not the Gold which was drained from the Bank for the internal Demands of the Country begin to flow back again into the Bank in the course of December, at a Time when they had very little left indeed?
I have not refreshed my Memory with regard to the Fact, but speaking from Recollection I rather believe that the Gold did not flow back to the Bank till they had made an issue of 1*l.* notes. Then it began to return.

1763. That Issue of 1*l.* Notes was not a Violation of the Law as it stood then?
No.

1764. Then in that Case that increased Issue of Bank Notes, in place of creating a Demand for Gold, had the effect of bringing back the Gold into the Coffers of the Bank?
No doubt it did.

1765. The contrary Effect would have been produced if the Exchanges had been against the Country?
Yes.

1766. Therefore you distinguish clearly between the Case of an external and of an internal Drain?
Yes, the Foreign Demand for Gold was met in April last by raising the Rate of Interest.

1767. Which you think was right?
Perfectly right.

1768. An internal Drain is the Effect of Apprehension?
The Effect of Alarm.

1769. Is not the Gold in that Case much more likely to find its Way back again to the Bank than in the Case of a Foreign Drain, which must wait the Improvement of the Exchanges?
No doubt about it. Remove the Cause of Alarm and the whole Thing will take its own natural Course, and the Gold will flow back again.

1770. Do you think it is in the Power of the Bank of England to ascertain precisely whether the Demand which arises is for internal Purposes or for external?
I think the Bank may watch the Course of the Foreign Exchanges, and take precautionary Measures against adverse Exchange; but an internal Demand I think it is impossible for any one to guard against.

1771. There is perhaps for a considerable Period a Prevalence of adverse Exchanges, which takes Gold out of the Country, there being a Demand for Gold for Exportation. Then a Change takes place; the very Fact of the Exportation of Gold turns the Exchanges; and then a Demand begins for internal Purposes. Do you think it would be in the Power of the Bank of England to ascertain precisely when that Change takes place so as to act upon it?
I think it would be very difficult for the Bank to act with both those Demands going on at the same Time.

1772. Should you say that the Bank would have any Difficulty in ascertaining, there being a Demand for Gold, whether the Exchanges were against the Country or in favour of the Country?
No. But my Impression is, that if both Demands are going on at the same Time, as the Bank of England has to take care of the Convertibility of the Note, they must regulate the Foreign Exchanges before they can venture to increase the Circulation.

1773. Then if there are any Causes in Action to produce a violent Drain of Gold for home Purposes, you think that cannot be prevented if there be at the same Time a Foreign Demand?
Certainly not. Their Duty is first to protect the Convertibility of the Note.

1774. Placing the Bank of England in the Position in which it stood during the last Year, and supposing it to be left to act at its Discretion upon the Currency, do you think it possible to determine the Point at which its Duty would have been to abstain from diminishing the Circulation, and to commence extending its Accommodation?
I think it might in 1847. The Periods were very clearly and distinctly marked: and that when this Pressure came, in October 1847, the Exchanges both with the United States and with the Continent of Europe had set in so decidedly in favour of this Country that there could have been no Apprehension of Danger by enlarging the Circulation.

1775. Have you attended particularly to the Course of Events in the last Year so as to be able to say at what Point you think the Bank of England ought to have altered its Course and extended its Accommodation if it had the Power?
I should put it about the Month of September.

1776. Do you think that upon every similar Occasion which might arise the Bank would have the Means of ascertaining the Point at which it ought to alter its Course and to extend its Accommodation for the Purpose of preventing commercial Distress?
It is impossible to say whether the Indications would always be as distinctly marked as they were in 1847. But I apprehend there was a very marked Distinction in 1847. The Circumstance of so large an Import of Corn was a very unusual Fact.

1777. Do you think it would be desirable to intrust to the Bank of England, or to a Body of that Description, the Power of determining the Point at

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which it is necessary to abstain from further contracting the Circulation and to extend it?

My Opinion certainly is, from the Experience of last Year, that it would be better to revert to the old System under which the Bank managed the Circulation than to continue under the Fourteen Millions Clause of 1844. At the same Time I would guard that Opinion by adding that I am not prepared to say the Constitution and System of the Bank Court are at present exactly what they ought to be for the due Administration of the Circulation.

1778. Looking at the former Operation of the same Discretion, and looking at the Management by the Bank of its own Banking Affairs during the last Year, do you think that there is sufficient Ground for Confidence in the good Management of the Establishment to intrust them with such a Power?

I think that Arrangements might be made that would put the Bank Direction on a Footing which would establish a proper and well-grounded Confidence in in its Management.

1779. Will you have the goodness to state in what Manner you think the Government of the Bank could be so constituted as to secure that Object? Will you first explain the present System of Government of the Bank?

It is managed by the Governor, the Deputy Governor, and the Court of Directors, every thing being finally settled by the Court of Directors, and decided by a Majority of Votes.

1780. Has that always been the Case since the Institution of the Bank?

Within my Recollection.

1781. Is not the Committee of Treasury invested with peculiar Powers?

The Committee of Treasury are Advisers to the Governor. The Governor has only Power between the Courts to do any Act, and for which he must get the Approval at the subsequent Court of Directors; every thing centres in the Court itself.

1782. The Governor can only act in a Case of Emergency?

He can only act in a Case of Emergency when the Court is not sitting. Taking the Bank Directors generally, they have been a highly respectable Body, and have conducted their Affairs extremely well. Of course there will be Failures among mercantile Men under all Circumstances; but I am not aware that there is any Imputation upon any of those that have failed that they have ever done any thing for their own Accommodation. But there is a great Evil in having Questions such as fixing the Rate of Interest and the general Regulation of the Circulation determined by a bare Majority. In point of fact there may be a Majority one Week which may be a Minority the next, and the Principle of the System may be upset by an adverse Vote, though it may be prudent and right. If I were to offer any Suggestion (which I should not have ventured to offer if it had not been asked from me by your Lordships), I should prefer leaving the whole Responsibility of the Circulation in the Hands of the Bank of England. I do not think there is much Advantage in a double Responsibility divided between the Bank of England and the Government. But I consider it would be well that the Bank Court should have in it certain Persons not elected by the Proprietors, who should be appointed under Act of Parliament for a limited Time, or in any other Way which may be deemed advisable, not immediately by the Government or Proprietors, and not removable by the Government, and that they should have, not an absolute Veto upon the Proceedings of the Bank Court, but that if they dissented from the Majority, their Reasons for that Dissent should always be submitted in Writing, and that they should be laid before Parliament, if Parliament saw fit, from Time to Time. I think that the Introduction of these Commissioners and their Protests and Influence would exercise a very wholesome Control upon the Body of Governors, and at the same Time would not deprive them of that Power of which as representing the Proprietors it would not be right that they should be deprived.

1783. Would you add to those Alterations any Regulations with respect to the Management of the Currency with a view to the Exchanges, or to any other Circumstances?

I should leave that to the Court and to those Commissioners to determine as they saw fit from Time to Time.

1784. Do

1784. Do you consider that those Commissioners should be Persons not engaged in Trade?

I would rather they were not engaged in Trade. I think you might find People of Experience enough not engaged in Trade who were fit for the Duty, but would not make it an absolute Condition of Eligibility.

1785. Do you mean that they should be appointed for Life?

Not for Life. It is impossible to know beforehand how far a Man may be fit for a Position of that Sort, and therefore I would make the Appointment for Three Years, or for some Period, and renewable.

1786. Do you think that the Practice of excluding Bankers from the Direction of the Bank of England is well or ill founded?

I do not think it is right, but at the same Time I think that there may be a natural Jealousy against Bankers. It may be thought that they would interfere, and that they might have a Feeling of Interest. But considering that the Business of the Bank of England is that in which Bankers are most conversant, I do not see any Reason for their Exclusion from the Court as such.

1787. You do not think that there would be any Objection arising from their favouring their own particular Customers at the Bank?

No, I think not.

1788. Do you think that the State of the Foreign Exchanges is an invariable Index of the Nature of a Pressure; that is to say, can you, from the State of the Foreign Exchanges, ascertain whether it is an internal or an external Drain?

Certainly. You can always tell whether it is a Demand for Gold for Export.

1789. You consider it an invariable Index, so that there is no Difficulty in determining the Nature of the Pressure?

Yes, from the Fact of the Exchanges being against this Country.

1790. You can always ascertain whether it be the Fact that Gold is going out of the Country?

Certainly.

1791. The Heaviness of the Pressure you can ascertain by the Rate of Interest?

By the Diminution of the Notes, by the Quantity of Gold taken from the Bank of England, and by the Rate of Interest.

1792. Would it not be safe if an Act were passed to enable the Bank, under Circumstances of heavy Pressure, wherever the State of the Exchanges was favourable to this Country, to exceed the Fourteen Millions?

That, in point of fact, is what was applied for in the first Instance by the Bankers,—a Power in some Body or other of extending the Issues above Fourteen Millions.

1793. Do you think that if it were provided that the Power should only be used under those Circumstances, that would be a sufficient Guard that it would never be used except at Times when it could not be injurious?

I would rather leave the Operation entirely in the Hands and under the Responsibility of the Bank Court properly constituted.

1794. Supposing the Responsibility were left with the Bank of England, do not you think that would be the Principle upon which they ought to act, namely, to use that Discretion only in Cases in which the Foreign Exchanges were not adverse to this Country?

Supposing the Management of the Bank is properly conducted, that would be the Principle upon which they ought to manage the Bank of England and the Circulation.

1795. Have we any Ground of Confidence, looking at the past Management of the Bank, that they would be guided by such a Principle?

I do not pretend to defend the Bank in all Parts of its former Proceedings; but upon the whole I am inclined to think that it has been fairly managed by the governing Body.

 1796. Have

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1796. Have there not been frequent Instances, during the Time when they had the Control of the Circulation, of their extending the Circulation cotemporaneously with an adverse Exchange?

No doubt about it. They have not always acted correctly. I am perfectly willing to admit that; but I want to improve the controlling Management of the Bank.

1797. Do you think that an improvement in the Constitution of the governing Body of the Bank would be sufficient, without laying down a Rule with respect to the Administration of its Affairs?

I think there is great Difficulty in laying down any Rule as applicable to all Cases. I hope that the Record of the Opinion of the Commissioners, when they dissented from the Bank Court, being laid before Parliament, and made Public, would be a sufficient Check, and that we should reduce the Government of the Bank to certain fixed Principles.

1798. And you would trust to that without any further Regulation?

I would.

1799. Do you think there has been an Improvement in the Management of the Bank since the Parliamentary Inquiries and the Discussions in the Year 1832.

I think the whole Question and the Principles of proper Regulation are very much better understood than they were then.

1800. Do you recollect the Period at which considerable Accommodation was given by the Bank of England to the Northern and Central Bank?

I do.

1801. That was a Matter of Controversy at the Time?

Great Controversy.

1802. In the Evidence given in the Year 1841 Mr. George Norman was examined upon that Subject, and, in reply to a Question whether it was expedient that that Assistance should be given, said, "Yes, I believe it was. The "Committee will observe that there was no Danger then from any Foreign Drain; "and under all the Circumstances of the Case I believe the Bank acted pro-"perly." Does not that amount, upon the high Authority of Mr. Norman, to a Recognition of the Distinction between the Propriety of granting such Accommodation when the Exchanges were favourable, and what the Case would have been if they had been unfavourable?

It is a Recognition of the Principle which I think ought to actuate the Government of the Bank.

1803. Does not the Act of 1844 regulate it simply upon the Principle of the Proportion of Bullion to Bank Notes out?

It purports to do so.

1804. Considering that the Circulation requires a different amount of Notes at different Periods, and those Notes may safely be to a larger Amount when there is no Drain of Bullion from abroad, do not you consider that any Regulation, founded simply upon the Amount of Notes in Circulation, without any Reference to other Circumstances, rests upon a mistaken Foundation?

I think Experience has proved that it is a mistaken Idea that the Amount can be so regulated.

1805. Are you aware that it is a novel Practice with the Bank to buy and sell Public Stock.

I was not aware that it was a novel Practice. I know that to a certain Extent they used to do it formerly.

1806. Do not you think, considering the Power that the Bank has of making a Scarcity or Plenty of Money in the Market, that the Practice of buying and selling Stocks is a Practice open to considerable abuse?

I think there are certain Conveniences in it. If it is necessary for the Bank Directors to regulate the Circulation with a view to govern Foreign Exchanges, for which Purpose they must from Time to Time produce a Pressure and make Money more dear, it is necessary that they should have in their Hands these Means of drawing in their Notes with some Degree of Rapidity, by the Conversion of such Securities. I do not mean to say that there is not Inconvenience in

in it, because they produce a considerable Pressure; but to regulate the Foreign Exchanges I think it is useful that they should have in their Hands some such Lever as that.

1807. When the high Rate of Interest took place in the City in 1847, did not it occasion a similar Rise of Interest in the manufacturing Districts?
Not generally. I believe in April the Rate of Interest did not rise in proportion.

1808. Did it in Manchester and Birmingham?
In Manchester and Liverpool it did.

1809. Does it come within your own knowledge, that the Execution of manufacturing Orders was checked by the high Rate of Interest?
I do not think the Execution of manufacturing Orders was stopped by the high Rate of Interest so much as by the Difficulty of turning Bills into Money at the Time; I believe that checked Business to a large Amount.

1810. You spoke of the Difficulties caused by the very high Rate of Interest when Accommodations were given by the Bank in the course of last year; do you think that the Difficulties caused by that high Rate of Interest are greater than those caused by refusing Discount?
Certainly not.

1811. Was it the Practice of the Bank of England in former Times, when it maintained pretty nearly the same Rate of Interest, to exercise a Discretion with respect to the Bills they discounted, and to refuse a considerable Number in Times of heavy Pressure?
Not to any great Extent. They have refused upon Questions of Credit very often, but I do think they actually refused Bills to a great Extent. They have altered the Date at which they would take Bills, and have limited that to Two Months.

1812. Are you aware that upon this last Occasion no good Bill was refused?
That is a disputed Point, which I have heard stated both Ways. But I am bound to say, that I believe the Bank discounted very freely for those who had any Right to ask them for Discounts.

1813. You were understood to say that the Act of 1844 had the Effect of making the Bank look to its private Concerns instead of to the Management of the general Circulation of the Country?
I stated that the Bank Directors felt themselves, under the Act of 1844, relieved from the Management of the Circulation, and that therefore it was only necessary for them to attend to their own Banking Concerns.

1814. Was it intended by the Act that it should be so?
I think so.

1815. Do you think that that was a desirable Clause in the Act which divided the Issue Department from the Banking Department?
I think Experience has proved that it is not desirable as the Act has worked.

1816. What was your Opinion before the Act was passed; did you entertain the same Opinion then as you do now?
No. I am free to admit that after the passing of the Act I was inclined to think that it was a very fair Experiment, and it was not until I saw the Operation of it last Year that I altered my Views.

1817. In your Opinion the Experiment failed last Year?
It decidedly failed.

1818. In the preceding Years did the Act really come into Operation at all?
I do not think that the Effect of the Act of 1844 actually came before the Public till the Spring of 1847.

1819. You have stated that the Effect of the Bank of England acting as private Bankers was to make them seek Discounts to a much greater Extent than they had done before. Do you conceive that that Conduct on the Part of the

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the Bank would lead to much more Speculation on the Part of commercial Houses than existed before?

Clearly. Everything which tends to reduce the Rate of Interest very materially leads to Speculation.

1820. Might it have had the Effect of encouraging that undue Speculation which you deem to have existed on the Part of the East India Houses?

I think it encouraged Speculation in new Railway Companies to a great Extent, and in some Degree perhaps in the East India Trade. But I do not think, speaking generally, that there was any great Speculation in commercial Matters during 1846. There was, however, in the East India Trade an improper Extension of Credit.

1821. Do you think it desirable that the Accounts of the Bank should be published in their present Form?

There is very great convenience to all mercantile Men from the Way in which the Accounts are published now; they contain a vast deal of Information which is extremely useful to them. But there is a Risk in the Publication, in the present Shape, of those Accounts. They may possibly indicate the Reserve at a very low Point when no Person out of the Bank Direction can know the real Causes of the Reserve being at that Point. The Bank may be in the Receipt the following Week of very large Sums. Loans may be paid off and Bills become due, which may put the Reserve upon a very proper Footing, and which may place the Accounts again in a proper State.

1822. Was not that practically the Case in October, that there were Assets coming in again?

I am not prepared to answer that.

1823. If a very low Rate of Interest leads to undue and imprudent Speculation, and a very high Rate of Interest leads to a disastrous Pressure upon all Classes, is not it very important to maintain as much as possible an equitable Rate of Interest in the Country?

Clearly. Perhaps I may venture to mention, that under the Act of 1844 the Issue of the Bank of England is composed of Two Items. The first is 11,000,000*l.*, representing the Debt due from the Public to the Bank of England; and the second is the Amount of 3,000,000*l.* advanced upon Securities. I have always thought that at the Period when the Act came into operation, when there was a great Influx of Bullion into this Country, the eventual Advance of that Sum of Three Millions might have been proper, as making up the Amount of 14,000,000*l.*, or any given Amount which was settled as the fixed Amount, but that it ought not to have been actually issued until Money had obtained a greater Value in the Market, say Four per Cent., which would have tended to keep the Circulation much more equable.

1824. Between what Rates should you wish it to be preserved?

Between Four and Five per Cent.

1825. Would there be any Means of effecting that, by making them pay a certain Rate of Interest to the Government for that Money?

I am not aware of the Terms upon which it is advanced to the Bank of England; but my Idea was, that the additional 3,000,000*l.* ought not to have been advanced to the Bank of England by the Issue Department, except upon such a Rate of Interest as would have regulated the Amount of Notes out; that whenever Money was worth only Three and a Half per Cent. they should not have had the whole of that 3,000,000*l.* issued, thus acting upon the Circulation and lowering the Value of Money.

1826. Do you approve of that Clause of the Act which restricts the Bank in the Purchase of Silver Bullion?

I certainly do not. I think the Restriction to One Fifth is very inconvenient, and practically in the Spring of last Year was found so. Merchants from the Pacific, whose Returns are very much in Silver Bullion, found when it arrived last Spring that there was no Market for it here, and they had to send it over to Paris for Returns in Bills of Exchange, and when they came back there was a Difficulty in discounting. The Interval lost, which is about Six Weeks, is a very serious Thing to a mercantile House; and there is another Evil in it; supposing

supposing the Amount of Bullion held in the Issue Department to be in the exact Proportions allowed by the Act, with One Fifth Silver, and supposing that 400,000 *l.* of Notes go in taking the same Amount of Sovereigns out, that immediately alters the Proportions, and the Issue Department must necessarily sell Silver Bullion to keep the Proportions right, and thus reduce the Circulation another 100,000 *l.* to keep up the Proportion.

1827. Did you not hear of a Case in which a Merchant with a large Amount of Silver Bullion was unable to obtain Advances upon it?

Decidedly. He could not either obtain an Advance upon it or sell it. I could never see any Reason why the Bank should hold only the Proportion of One Fifth Silver. There can be no Reason why the Bank should not make Advances upon Silver Bullion, which they can always export to get Sovereigns back or Remittances from Paris.

1828. You do not wish Silver to be made Part of the Standard; but is not Silver Bullion as convenient for all Exchanges with the rest of Europe as Gold Bullion?

You can always export Silver Bullion and get Gold back for it. The Question of the double Standard is a complicated one.

1829. Is not the Standard in all other Countries of Europe, Silver?

A double Standard is used, and Silver being the cheapest, of course, is chiefly used.

1830. And it is in general Use?

It is.

1831. Then would it not be very convenient for the Bank in dealing with the Foreign Exchanges?

Silver may nearly always be used as an Article of Export with great Advantage in the Foreign Exchanges.

1832. This Restriction would prevent its being used to the Extent to which it might otherwise be used with Advantage?

It does; and to remedy that I would suggest that the Bank should advance upon Silver Bullion.

1833. To a limited Extent?

I think they might advance without any precise Limitation, because they can always export it.

1834. Are you aware whether in October 1847 there was any Demand made upon the Bank for Deficiency Bills?

I believe not.

1835. By the Returns before the Committee it appears that in October 1841 there was a Demand for 4,800,000 *l.*, in October 1842 for 4,900,000 *l.*, in October 1843 for 3,700,000 *l.*, in October 1844 for 2,500,000 *l.*, and in October 1845 for 829,000 *l.* Subsequently to that, the Exchequer Balances becoming full, that Demand ceased. But supposing that in October 1847 there had been a Demand upon the Bank of England for Advances for the public Service to the Extent of Three or Four Millions, what would have been the Consequence of such an Advance in the then State of the Reserve?

Either the Government must have been refused, or the Directors must have limited the commercial Discounts in order to meet the Demand of the Government, or they must have sold Stock to draw in the Notes, and advance them again on Deficiency Bills.

1836. It is unnecessary to pursue the Consequence of refusing the Demand of the Government, which would have been a Refusal of the Means of paying the Dividends; but, passing to the second Alternative, what do you conceive would have been the Consequence of limiting the commercial Accommodation at that Period to that Extent?

There would have been an enormous Increase of the Pressure; it would have been almost the Ruin of the commercial World to have refused Discounts then. If Two Millions had been the Amount of the Deficiency Bills I do not think the Stock Market would have borne the Sale of Two Millions of Securities at that Time. At any rate it would have occasioned almost equal Pressure as the Refusal of Discounts, and a great Depreciation in Government Securities.

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1837. That Period of Pressure was relieved by the Issue of the Letter of Lord John Russell and the Chancellor of the Exchequer. Do you conceive that the Effect would have been the same with respect to commercial Credit if the Letter had been issued, not for the Relief of commercial Pressure, but in order to obtain an Advance for Government Purposes?

I think it would have been a dangerous Experiment for the Government to have issued the Letter for the Purposes of Government; they would not have had much Sympathy on the Part of the Public.

1838. Then, in the event of Circumstances happening which, either by increasing the Expenditure of the Country, or by limiting the Revenue of the Country, have the Effect of reducing the Balances in the Exchequer, is there not as a Consequence an impending Necessity of borrowing upon Deficiency Bills to pay the Dividends?

Certainly.

1839. Then, in the event of any Circumstances reducing the Banking Reserve to the Extent to which it was reduced in October last, do you see any Mode of Extrication from that Difficulty at such a Period?

Not any Mode of Relief from that Difficulty upon an Application made by the Government to the Bank at any such Period. I conceive the Government might have relieved itself by a Loan.

1840. Taking that Alternative, and supposing the Existence of these Circumstances of Pressure upon the commercial World, what would be the Consequences of meeting the Case by a Loan?

The Necessity of the Chancellor of the Exchequer raising his Money upon very bad Terms, and a Derangement for a Time of the monetary System. It would come out again in another Shape.

1841. But for a Time it would produce the same evil Consequences that were connected with the increased Pressure arising from the Loan last Year?

It would produce some temporary Inconvenience.

1842. Supposing the Bank, without any Separation of the Two Departments, had reduced its Reserve nearly to the Point at which it stood in October last, would not it have had the same Difficulty in making Advances?

If the Foreign Exchanges were in favour of this Country I would give them Leave to advance under those Circumstances.

1843. Did not the Bullion go out last Year up to the Middle of September?

Very likely. There was an export of Bullion to Hamburgh after the Exchange had turned in our Favour, arising from this Fact: the Rate of Interest at Hamburgh had risen very high indeed, and it was immediately checked by an Export of Bullion from this Country; it was only 200,000 *l.*

1844. We may assume that the Exchanges in some Quarters were adverse to this Country till the Middle of September?

Bullion was not coming in till that Time.

1845. The Issue Department of the Bank had an Amount of Bullion of Nine Millions; now supposing the Bank to have been then in the Position in which it stood at former Periods, do you think, judging from former Experience, that, having an Amount of Nine Millions of Bullion in its Possession, although the Exchanges were adverse, it would have contracted its Circulation so as to have corrected the adverse Exchanges?

I think that with these existing Foreign Exchanges the Bank would have certainly raised the Rate of Interest, and have corrected them.

1846. Even with a Reserve of Nine Millions?

Yes; because I think that the Views of the Bank Directors, if they were responsible for the Circulation, would be steadily directed to the Foreign Exchanges as the governing Principle; but they do not now consider themselves bound so to act, because they have felt themselves, by the Creation of the Issue Department, released from doing so.

1847. Looking back to previous Occasions, is it not the Fact that it was not usual for the Bank to contract its Issues in order to turn the Exchanges with so large an Amount of Bullion in its Possession?

It was not done so often as it ought to have been done.

1848. Supposing the Bank, having Nine Millions of Bullion in its Possession, had continued Accommodation without regarding the Exchanges, the Result must have been a very large Reduction in the Amount of the Bullion?
It would have been a most impolitic Proceeding.

1849. Supposing they had pursued that Course, the Act of 1844 having left them as they were previously, and they had found themselves perhaps a little later in October with a Reserve reduced nearly to the Amount at which the Result did stand in October, do not you think the Danger to the Country would have been increased?
We should have had a most violent Pressure.

1850. Would not there have been this additional Circumstance creating great Difficulty, that there would have been some Doubt as to the Convertibility of the Note?
That depends upon the Extent to which they would have run down the Quantity of Bullion in the Coffers of the Bank. There probably would be a further Reduction of that Nine Millions down to Seven Millions, and that would have brought the Exchanges round to their proper Position, because, in addition to the Dearness of Money at that Time, all the Import of Corn and Food had ceased.

1851. We can only judge of a Case of this Kind by reverting to former Occasions when the Bank had the Circulation at its Discretion, when we find that it did reduce its Reserve of Bullion to a very low Amount, and that upon those Occasions the Convertibility of the Note was in great Jeopardy. Is not that so?
I do not know. I do not go as far as that.

1852. In the Years 1837 and 1839, when the Amount of Bullion was reduced almost to its lowest Figure, was there any Discredit with respect to the Convertibility of the Bank Note?
None whatever. It did not go to that Extent, certainly, in 1839.

1853. Nor in 1825?
Nor in 1825.

1854. The Question is not, whether there was any actual Discredit of the Notes of the Bank of England, but whether we were not at a Point at which such Discredit was a possible Occurrence?
We were under this Risk certainly, that the Amount of Bullion in the Hands of the Bank was very low, and therefore we were nearly approaching a Time of Danger; but there was still a Power in the Hands of the Bank of remedying that by the Contraction of the Circulation, or by the Establishment of a Foreign Credit.

1855. Supposing that in the Month of October last, instead of there being 8,000,000*l.* of Bullion in the Issue Department, the Reserve of Bullion had been reduced altogether to anything like the Amount at which it stood in 1825 or in 1839, would not that have been a great Aggravation of the Danger?
I think it could not have arrived at that Result. The Reduction of the Bullion would have led to a Reduction of the Bank Notes, and you would have had an earlier Pressure, and the Exchanges would have been rectified, because the Importation was over before that Date.

1856. If the Panic in October had not been stopped where it was, is not it probable that it would have extended to Classes still lower than the commercial Classes, and that it might eventually have led to a run for Gold upon the Bank?
I think it is extremely likely that if the Bank of England had become discredited the Public would have mixed up the Two together, and there would have been a Run for Gold upon the Issue Department.

1857. You have been asked about the possible Danger which might have arisen in 1837 and 1839 from the low Amount of Bullion then in the Bank, as compared with the Danger which occured in October 1847 from the low Amount of the Banking Reserve at that Time; supposing that, by the Operation of the London Mercantile and Banking Demand, the whole Amount of

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private Deposits in the Bank had been withdrawn, in what Position would the Bank of England have stood?

Taking the 23d of October as the Date of the supposed withdrawal of the Deposits (though I can scarcely suppose it possible that it would have been carried to so great an Extent), the Withdrawal, not of all the Deposits, but of a smaller Portion of the Deposits, would have brought the Banking Reserve down to nothing.

1858. Supposing the Banking Reserve to be brought down to nothing, and that there was practically a Cessation of the means of the Banking Department to pay its own Deposit Engagements, do you think that there would have been very much Support given to the Credit of the Bank of England by the Reserve of 8,000,000*l.* in the Issue Department?

I think the Public would confound the Two, and that there would be a Run for Gold upon the Notes.

1859. So that the Convertibility of the Note under those Circumstances would would not have been maintained?

Still you have got to get rid of 9,000,000*l.* of Bullion, which is an enormous Sum.

1860. Would not that rather lead to the Conclusion, that, in order to secure the Convertibility of the Note, the Issue Department should not only be made a separate Department of the Bank, but ought to be made a separate Establishment?

I think it would.

1861. Has not the Act of 1844 this practical Operation, of creating an artificial Difficulty in place of any real Difficulty that might have existed as to the Payment of the Engagements of the Bank in Specie?

I do not think there would have been any real Difficulty in October 1847 if it had not been for the restrictive Clause. There was an artificial Difficulty, I think, which might have been met with perfect Security at that Time (because the Foreign Exchanges were in favour of this Country) by an Issue of Bank Notes.

1862. If, unfortunately, the Harvest of last Year had been as fatally bad as that of the Year before, and there had been the same Want of a large Supply of Food from America and other Countries, is not it clear that the Bank under the Act of 1844 must have stopped Payment?

The Act of 1844 must have been suspended under those Circumstances, I think?

1863. From what Cause?

The Exchanges would have continued so long adverse to this Country, that it would have added materially to the Pressure.

1864. You have been asked as to the Effect of an extensive Withdrawal of Deposits from the Bank in a Time of great Pressure; will you point out how there would be any great Difference in the Effect of any such Withdrawal of the Deposits under the Act of 1844, and without that Act?

The Act of 1844 has brought about a Crisis which would have acted upon the Deposits; it had produced a Panic; and the Panic causes the Withdrawal of the Deposits, or of Demands for Discounts, which act equally on the Reserve.

1865. You said that it would not have been possible for the Bank to sell Stock to any great Amount at the Period of Panic?

I believe not. On the 23d of October 200,000*l.* was sold with some Difficulty.

1866. Are you aware that it was the Opinion of the Bank Broker that a very large Sum might have been sold without materially affecting the Price of Stocks?

I was not aware that the Bank Broker had stated that. I should say, from what I saw at the Time, that the sale of a Million or Two Millions, which were the Figures talked of, would have been almost impossible without knocking down the Funds to such a Price as would have created a further Panic.

1867. Do you hold the Convertibility of the Bank Note to be an Object of primary Importance?

I do.

1868. Do you consider that that Object was effectually secured by the Act of 1819?

Yes; provided there be an Improvement in the Administration of the Bank, in whose Hands I would leave the Management of the Circulation.

1869. Do you think it was secured by the Discretion exercised by the Bank?

I think it might be secured by the Discretion of the Bank Management.

1870. But, in point of fact, you do not think it was secured by the Mode in which that Discretion was exercised?

I do not think the Convertibility of the Note has actually ever been seriously endangered.

1871. Was it legally secured by the Act of 1819?

That makes the Bank Note payable in Gold.

1872. Do you think it was secured in 1825, when, on a certain Saturday Night, there was not above 125,000 *l.* of Bullion in the Bank?

I was not aware that the Figures were ever so low as that Sum.

1873. At present the Issue Department is on a self-acting Principle, but if there were any Relaxation of the restrictive Clauses it would then require the Exercise of a certain Degree of Discretion. Under those Circumstances do not you think it would be advisable that the Issue Department should be made so far separate that its Government and Management should be entirely separate from the Management of the Bank, and that the Bank should be left to go on with the Banking Department by itself?

I do not know whether the Question proposes that the Issue Department should be founded entirely upon Bullion.

1874. According to its present Constitution, with a discretionary Power of Relaxation under certain Circumstances?

I would rather leave the Responsibility in the Hands of the Bank of England than put it into the Hands of the Government.

1875. Do you think, supposing the Act of 1844 should be maintained, that it would be desirable to vest any Discretion in any Quarter for its Suspension?

I would rather have the Power of Suspension vested by Law in some Quarter than not have it at all, because I think that an Infringement of the Law, such as occurred in October, is a serious Thing. But I would much rather have the whole Operation and Responsibility in the Hands of the Bank of England. Though I think it was perfectly right on the Part of the Government not to break the Law till the Case had become very extreme, yet great Advantage would have arisen if the Restriction had been taken off a Fortnight sooner; there would have been a great Saving of Property.

1876. A great many Persons were seriously injured by the Delay that occurred?

There was a great Sacrifice of Property in the meantime. I do not blame the Government, because as they had to break the Law it required an extreme Case to justify that Act.

1877. Must not the vesting in any Individual the Power of breaking the Law operate unjustly upon Parties who, during the Period just before it is relaxed, may require Accommodation, and from not getting it fail, while others are able to stand over a few Days longer, and are thereby saved?

No doubt it acts hardly upon some.

1878. Is it your Opinion that the Act of 1844 should be repealed, or that it should be so altered as that somewhere or other there should be lodged a Power of Relaxation?

I would rather that the 14,000,000*l.* Clause was repealed altogether, and that the Administration of the Circulation was entirely left in the Hands of the Bank under a different Regulation of the Bank Court. The other Part of the Act of 1844, namely, that regarding the Regulation of the Country Issues, I would not wish to interfere with.

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1879. Would not the Effect of that be to restore the Matter of the Bank Circulation to the State in which it was under the Act of 1819?

It would, under improved Management.

1880. Then, it having appeared that under that Act great Danger to the Convertibility of the Note was actually incurred more than once, you are of opinion that that Danger can only be avoided by some Modification as to the Government and Management of the Bank?

The Question would be, whether, in point of fact, the Act of 1844 has not generated a greater Danger to the general commercial Interest than any which existed before, as regards the Convertibility of the Note, and whether the greater Knowledge which now exists as to the Regulation of the Exchanges, and the Management of the Currency generally, is not sufficient Security to ensure the Convertibility of the Note, without exposing the commercial Body and the Country to the additional Evils which the Act of 1844 by the Fourteen Millions Clause has created.

1881. You think that in fact even the leaving it to the Discretion of Persons, of whose Discretion you may still be somewhat doubtful, is better than the unvarying arithmetical Rule by which the Bank are restricted under the Act of 1844?

I am quite sure that if the Act of 1844 is allowed to exist in its present State you will have the Mind of the Public much more turned to the Fact than it has been, and we shall have, in Circumstances of commercial Pressure, a much quicker Diminution of the Reserve of the Bank than we have had already, or great commercial Mischief.

1882. Do you think that Evil could arise under any Circumstances short of that Combination which existed during the last Year, made up as it was of a most extraordinary Pressure arising from Payments on account of Corn and on account of Railways?

I am not aware that the Railways were any great acting Cause of the Evils towards the End of the Year; they might have a little added to the Demand for Money. We have had the Foreign Exchanges against this Country from other Causes as well as the Import of Corn; and in fact that might occur again without all those Causes being concomitant.

1883. Assuming that the Act of 1844 is quite right, and that its Maintenance in its present Shape, as far as this Enactment goes, is expedient, do not you think that the Circumstances of the Case are a good deal altered by the Issue of the Treasury Letter, and the Consequences which have attended the Letter?

I suppose, that Precedent having been established, probably the Public will always be looking forward to its Recurrence, and that there will be constant Endeavours to break through the Restriction.

1884. Have you any Doubt upon the Subject, that, on the Recurrence of every Pressure at all analogous to that which has taken place, the Pressure both upon the Bank and upon the Government will be extreme, and that the Difficulty of resisting that Pressure will upon every Repetition become greater?

Certainly it would be so.

1885. But if there were no legal Restriction, would not it be much more difficult for the Authorities of the Bank in Time of Pressure to resist Applications for the Expansion of the Currency?

Not if it is properly managed; because by leaving the Administration of the Circulation in their Hands you remove the Cause which created the Panic in October, which was the absolute Restriction to the Fourteen Millions.

1886. Would not the Danger be that the Pressure on the Government or other Parties having the relaxing Power would be applied at an improper Period, when the Exchanges were against the Country?

Then I apprehend the Government would decidedly refuse, because the Convertibility of the Note is the first Object.

1887. Are you not of opinion that the Expectation which would be entertained on the Part of the Public, that in a Case of Necessity the Government would sanction the Relaxation, would tend to counteract the Effect which is intended

intended to be produced by the Act of 1844, by leading the Bank not to put on the Screw (as it is termed) so early as the Act of 1844 intended to make them put it on?

I think it might act in that way in both cases.

1888. The Bank would not have the Inducement which the Act of 1844 was intended to give them to curtail their Accommodation early?

No; nor would it have the Responsibility of the proper management of the Circulation, because there would be an Appeal from it to another regulating Body.

1889. Supposing that such would be the Effect of an irregular Interference, such as that which took place in October, do you think that the Danger would be diminished by establishing the Expectation of legitimate Interference by vesting a Power somewhere to suspend?

Then you would have a divided Responsibility between the Government and the Bank. I am anxious to leave the Responsibility in the hands of those who have the Direction of the Circulation.

1890. You were asked what the Effect would be upon the Minds of the Bank and of the Public of the Interference of the Government in October last; and the present Question is, supposing such an Effect as you have described to have been produced by that Interference, whether you think the Danger of such an Effect would be diminished by rendering the Exercise of the Power more easy by lodging in any Body Authority to exercise it?

If you mean to throw again the Regulation of the Circulation upon the Bank Directors, I do not see that it would be at all proper that they should have a Body over them who should say to them, "This is the Day when you must relax." You ought either to leave it entirely in the Hands of the Bank Court, and let them regulate the Circulation, or leave it as it is now, and then allow the Government to interfere in extreme Cases.

1891. Would the present System, in your Opinion, be improved by vesting in the Government a Power to interfere, instead of leaving the Government, upon its own Responsibility, the absolute Power of interfering against the Law?

That would certainly be an Improvement upon the present System, but I do not think it carries it far enough.

1892. But if the Expectation of such Interference is pernicious under the present System, would it not be still more pernicious if the Exercise of such Interference were rendered easy by such a Provision?

There may be a little Apprehension of that. You reduce it to the Possibility of the Public always looking for a Relaxation, from the Pressure to be brought to bear on Government; and that is the Reason why it is better placed in the Hands of the Bank Directors only. Let them be responsible for the whole System, and let them take the necessary Measures for securing the Convertibility of the Note at an earlier Stage. You throw no Responsibility upon them if you leave a controlling Power afterwards in another Body.

1893. Would not the Bank always require some Protection from the Pressure of the Public in a Time of great Emergency?

They would have it in their own Hands by limiting the Discounts, or altering the Date of Bills which they would take in, or curtailing the Loans, and, again, the Power of selling their Securities, if they think it necessary to continue their commercial Discounts.

1894. And you think it probable that the Bank, if it were well administered, would exercise that Power without any Support from the Law?

I think the Bank Court, when properly constituted, would.

1895. In the exercise of that Power, do not you think that, as a constant guiding Principle, the State of the Foreign Exchanges should be borne in view by the Bank?

Always.

1896. As the Provisions of the Act of 1844 have no reference to the State of the Foreign Exchanges, must not the same Rule be applied to the Amount of the Issues, whether the Demand upon the Bullion of the Bank, and the low

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State of the Reserve, is produced by an internal Drain, or by an external Drain?

Exactly. The Bank Directors have nothing now to do with the Foreign Exchanges, as far as their Powers go, except they choose to exercise a voluntary Discretion.

1897. Therefore, by the Act of 1844, that Point is excluded from their Consideration, an Attention to which you consider essential to the good Management of the Bank?

The Act of 1844 makes the Issue Department a self-acting Department altogether.

1898. Do not you consider the Theory that the Bank of England in its Banking Department is to consider itself merely as a private Bank carrying on its Business for its own best Advantage, without any reference to the Well-being of the general Commerce of the Country, to be a Mistaken Theory?

I think it is a mistaken Theory, because you invest the Bank of England with a public Character after all. You put them in the Position of holding enormous public Deposits, which give them a great Influence over the monetary System; and yet you tell them they may act as any private Bankers would do for the Advantage of their Proprietors.

1899. You have stated that the Loss of Property and the Diminution of Capital to the commercial Body in the City of London in the last Year, even where there have been no Failures, has been very considerable?

Very considerable indeed.

1900. Beyond any thing you have witnessed in the Course of your Life?

Beyond any thing in my Experience, certainly.

1901. Has not the commercial Credit of the City of London also in Foreign Countries been very much injured?

Very much more than I ever recollect it before.

1902. Which you consider a very unfortunate Circumstance?

Very detrimental.

1903. Supposing the Bank should consider that it is wise for themselves to act upon the Restrictions imposed by the Act of 1844, and that they were not compelled by Law to do so, would you impose upon them a Restriction to prevent them from so acting?

Certainly not. If they choose to take 14,000,000 *l.* as a settled Point, and to act upon that, I have no Objection whatever to their regulating their Transactions with that View; but if they should find, from an extraordinary internal Panic, that the 14,000,000 *l.* ought to be 15,000,000 *l.*, I would give them the Power of extending their Issues, provided the Exchanges are in favour of this Country.

1904. You would not deprive them of the Power of rigidly acting upon the Principle established by the Law of 1844?

Certainly not. I have no Objection to their taking 14,000,000 *l.* as the Standard for their general System.

1905. I fyou think the Law as it now stands is liable to so much objection, would it not be advisable to prevent the Bank establishing such an objectionable System?

The Objection to the 14,000,000 *l.* Clause is, that it is not to be passed at all under any Circumstances. If you leave in the Hands of the Bank of England the Power of passing that, the whole Cause of the Panic in October is removed, according to my View of its Causes.

1906. Will you state what you consider exactly to have been the Cause of the Panic?

The Cause of the Panic, in my opinion, was the Restriction to 14,000,000 *l.*

1907. The Public knowing that the Bank could not issue, even if they wished it, beyond 14,000,000 *l.*?

Yes.

1908. Do you think it would be a safe State of Things that one Set of Governors in the Bank should in one Year act upon the Principle of the existing Law, and that another Set of Governors in another Year should change the Principle, and go upon an opposite one?

I have ventured to say that I think it a great Evil, the Bank Court having the Power from Week to Week to change their Action; and therefore I want to introduce a controlling Power into the Court.

1909. And that Control would be the Introduction into the Direction of certain Persons who had nothing to do with the Bank, but would be a kind of public Commissioners?

Yes, exactly.

1910. Would not you, in addition to that, recommend greater Permanence in the Situation of the Governor and Deputy Governor?

The Objection to having a permanent Governor for Life is the Risk of not getting the best qualified Persons for the Office; there would probably also be much Jealousy in such an Appointment; and therefore I ventured to suggest that the Commissioners should only be appointed for a limited Period, and that if it is found the Principles which they lay down are not correct, the same Persons should not be re-appointed.

1911. Would it be desirable that the Governor should fill his Situation, if not for Life, for a longer Period than at present, supposing him to be properly selected for that Situation?

Certainly. Any Exposure to frequent Change of Management in the Principles of the Bank is a great Evil in itself.

1912. You said that the commercial Credit of the Country had suffered in Foreign Countries in consequence of the occurrences of last Year; was not that owing to the Failure of those Houses?

Clearly. It is not the Credit of the Country that has suffered, but it is the Credit of the mercantile Body generally, by the Failure of some of the largest Houses connected with it.

1913. Should not you say that some of those Houses were conducted upon unsound Principles, and ought to have failed?

No doubt; but they enjoyed great Credit abroad, and, from the Facility with which they obtained Discounts, they had kept up their Credit to a late Period.

1914. Has not the Discredit of the mercantile Body in London from the Transactions of last Year gone much further than it would have done, merely from the Fact of a few Houses having failed from over Speculation?

I think that the mercantile Discredit abroad has been very great indeed; but I attribute it to the Circumstance of those Houses which failed having been some of the very largest, both in London and in Liverpool, and also to their having maintained up to the very latest Period a State of very high Credit, and, in point of fact, having involved in their Failure a very large Mass of Foreign mercantile Connexions.

1915. Then is it desirable that a System of Credit should continue, by which Houses were enabled to maintain false and fictitious Credit?

Clearly not; and I stated that I thought the Tendency of the Act of 1844, in one of its Particulars, had been to make Money rather too plentiful, which had enabled those Houses to over-extend their Credit.

1916. Although the Cases which have occurred of the Failure of certain Houses may be accounted for by the Inconsidrateness or the Over-extent of their Tranactions, do not you conceive that the great Diminution of the Bank's Reserve at that Time may have deprived the Bank of the Power of aiding bonâ fide Houses that deserved Support, and who, for the Want of such Support, would fail, and involve others in their Failure?

There is a Feature connected with that Inquiry, when we compare 1847 with 1825, which ought to be mentioned. In 1825 it is a notorious Fact that the Bankers of London, pressed upon by their Country Connexions, discounted with the Bank of England. Since that Period the private Bankers never have discounted with the Bank of England; but they had a Right to look in 1847

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for the same Accommodation which they received in 1825 from the Bank of England. But, taking the 23d October as the Date of the extreme Pressure in the Country generally, the Bank of England was not in a Situation to grant it. They had nothing left in their Reserve with which to meet any legitimate Application for Discounts from the Banking Interests of the Country if such had been required.

1917. Did not you state that you were not prepared to say that the Bank had refused to discount any good Bills?

I put the Point which I have just stated upon this Fact, that with a Reserve of 1,100,000*l.* it is clear that if the Bankers in London had sent in their Discounts, the Bank could not have done them, and the Support which in 1825 was given to the Banking Interest would have been impossible under the Act of 1847. Fortunately the Necessity did not arise.

1918. Is it not the Fact that the Accommodation given by the Bank in 1847 was greater than in any preceding Year?

Decidedly not greater than in 1825.

1919. Was not the Accommodation given by the Bank in 1847 to the Bankers and mercantile Houses greater than in 1845?

The Bankers asked for no Accommodation in 1845, nor did they ask for any Accommodation in 1847. But if they had asked for any Accommodation in 1847 the Bank of England were unable to grant it.

1920. Was not the Circulation larger?

The Circulation was much larger, but a great deal of it was hoarded.

1921. Your Attention is requested to the following Answers which were given by Mr. Jones Loyd before a Committee of the House of Commons in 1840, in reply to Questions from Sir Robert Peel:—"You have stated that it "is difficult to guard against the Consequences of a Drain of the Bullion of "the Bank arising from internal Causes?—Yes. One of those internal Causes "might be Alarm, and perhaps unfounded Alarm, as to the Solvency of a par- "ticular Establishment; as, for instance, to the Means of the Bank to pay its "Notes in Gold; and that might be one of the Causes of a Drain of Gold? "Certainly.—Supposing there was some very eminent Mercantile House that "foresaw the Probability that it would be unable to fulfil its Engagements on "a certain Day, might not the Failure of that House contribute to increase "that Alarm? Certainly it might tend to spread that Alarm.—Might not the "Failure of one House lead to the Failure of other Houses? Certainly. "—Might not the Alarm go on increasing in consequence of repeated Failures? "Certainly.—Supposing the Bank prevented the original Failure by giving a "timely Supply of Notes to that House, might not the Bank prevent, by that "timely Supply, and by supporting the Credit of the individual House, the "Origin of this unfounded Alarm? Undoubtedly.—Might not, in that Case, "the Bank contribute to support the public Credit? Undoubtedly it might." Do those Questions and Answers describe a State of Things in which, in your Judgment, commercial Credit might be safely assisted if the Bank was left free to use its own Discretion, but from which it would be restrained under the Operation of the Act of 1844?

Clearly; always reserving the Point as regards the State of the Foreign Exchanges.

The Witness withdraws.

Ordered, That this Committee be adjourned to To-morrow, Two o'Clock.

Die Martis, 7° Martii 1848.

The LORD PRESIDENT in the Chair.

MATTHEW MARSHALL Esquire is called in, and examined as follows:

1922. WHAT Office do you fill in the Bank of England?
I am Chief Cashier.

1923. You are aware of the Nature of the Form of the Account which has been presented to the Committee, intituled, "A general Weekly Statement of the Liabilities and Assets of the Bank of England"?
I am.

1924. That Account is made out in continuation of the Accounts which were presented to the Committee of the House of Commons?
It is a Continuation of the Accounts presented in 1840 and 1841.

1925. When it was called for by the Committee in 1840 it was only carried back to the Year 1832, when the previous Inquiry had taken place?
Yes.

1926. Would it cause much Trouble to carry this Account somewhat further back than the Year 1832?
It will only be a Question of Time and Labour. Of course it could be done, because the Accounts at the Bank involve all the Figures which such an Account would require.

1927. Would the Expenditure of Time and Labour be very great in order to procure such an Account, supposing it were proposed to call for that Return for Ten Years previously to the point to which it extends at present, that is to say, to the Year 1822, so as to include the whole commercial Period of 1825 and 1826?
It would take a very considerable Time, I apprehend, because it would be necessary to have Recourse to Books which have long since been put by. I think such an Account could not be prepared under a Month or Six Weeks.

1928. Will you turn to the Account No. 2, intituled, "An Account of the Notes, Securities, Bullion, &c., of the Bank of England, &c." You observe that the first Two Columns of that Account are headed "Notes issued" and "Total," and it appears that all the Numbers entered in those Two Columns are identical; now is that so throughout?
The whole of that Account was prepared at the Bank with the exception of the Totals in the Second Column, which it is presumed were added by the Stamp Office; this Column, however, appears to be altogether unnecessary.

1929. It was not a Return from the Bank?
The Return was prepared by the Bank, with the exception of the Second Column; and the Stamp Office have under the head of Total put the same Figures down again. I observed it at the time as being very unnecessary.

1930. The Notes actually with the Public are the Amount of Notes issued, minus the Notes in the Banking Department?
Exactly so; those which the Bank hold as its Reserve.

1931. The one deducted from the other gives you the exact Amount of Notes with the Public?
Precisely so.

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1932. How do you make up the Weekly Column of the Rest; is it all the Profit derived by the Bank from Week to Week, and then deducting out of it the Dividends as they occur?

Deducting the Dividends on Bank Stock, which are payable Twice a Year. At the Periods when they are paid, the Rest diminishes; but the Increase or Decrease of the Rest in any given Week arises from the Profit to the Bank, or from the Charges for the Management of the Bank having exceeded the weekly Amount of Profit.

1933. How can you determine the Amount of Profit within any given Week?

There is no difficulty, because every Transaction of the Bank is matter of Account. If the Bank were to discount Bills To-day, against those Discounts would be the Interest which the Bank charges for the discount of those Bills, and that would be of course Profit. They are then carried to distinct Items of Account, and when the Accounts are put together in the aggregate it will show either a Profit or a Loss.

1934. Whenever you receive a large Sum for Interest on Exchequer Bills or for Interest upon Stock which you hold, is that carried to Profit within the Week?

Yes, carried at once. If you take particular Periods when the Interest upon the Debt due by the Government is paid, you will find in that Week a very considerable Increase in the Amount of Rest. Supposing no other Circumstances to interfere, that is, supposing there are no Charges to counteract it, the Rest will be increased pro tanto by the Payment of the Interest on the Government Debt.

1935. But you cannot bring in all the Charges weekly?

The great Amount of Charge comes in periodically, such as Clerks' Wages, Tradsmen's Bills, and other Charges?

1936. Has not the Bank lately made an Increase of its Dividends?

Yes, in the last Half-year; and in the preceding Half-year there was a Bonus of One per Cent. given.

1937. What was the Amount of the Increase?

I doubt whether, without Documents to refer to, I could state that.

1938. Was not that Increase of Dividend insisted upon by the Proprietors in opposition to the Opinion of the Directors?

Yes. In February of the last Year a Ballot took place upon it. The Question that there should be a Bonus of One per Cent. given formed the Subject of a Ballot, and it was carried in the affirmative.

1939. In opposition to the Recommendation of the Directors?

In opposition to the Recommendation of the Directors.

1940. Is there any Return of the Amount of the Dividends?

I think none this Year. I believe in former Years Accounts have been called for with reference to the Distribution of Dividends and Bonuses, but I think neither the Committee of this House nor of the House of Commons has called for such a Return upon the present Occasion.

1941. Will you turn to the Account No. 12, of the Parliamentary Paper (43), at Page 149. There is a Column there, headed "Total Amount of Bullion." If you refer to the Account No. 2, Page 6, you find there Two Columns under the Issue Department; one headed, "Gold Coin and Bullion," and the other "Silver Bullion;" and the sum of those Two Columns does not correspond with the Sums inserted in the Column headed "Total Amount of Bullion." Does the Column headed "Total Amount of Bullion" include the Specie held in the Banking Department?

Exactly, that is the Total Bullion in the Bank.

1942. Here are Two Columns; one, "Government Securities," and another "Other Securities." What Portion of that Second Column consists of Bills discounted?

It must be borne in mind that the Accounts, which are a Continuation of the Accounts from 1822, are Accounts which only embrace the Totals under the

the old System of Management. The "Other Securities" include Bills discounted, and all other Securities, of whatever Class they may be, held by the Bank, not "Government Securities."

1943. In the weekly Account the different Descriptions of private Securities are distinguished?
They are.

The Witness is directed to withdraw.

ALEXANDER HENRY WYLIE Esquire is called in, and examined as follows:

1944. You are engaged in Business in the Town of Liverpool?
I am.

1945. How long have you been so engaged?
I have been for many Years connected with Liverpool, but I resided for many Years abroad, and have not been a Resident in Liverpool more than Four or Five Years.

1946. In what Branches of Trade have you been particularly engaged?
More particularly in the American Trade, and the Cotton Trade especially. I am connected with a House in New Orleans, and our principal Business there is the Purchase of Cotton for account of English Spinners.

1947. Can you state to the Committee generally what are the most important Descriptions of Trade carried on at Liverpool, and the Circumstances attending them, as contra-distinguished from the City of London and other Parts of the United Kingdom?
I should say that in Liverpool there is more absolute Business comes under the Observation and immediate Care of the Merchants than in London, or in any other Town in the Country. The Liverpool Merchants are Importers on a large Scale, and the immediate Means of Communication between the Growers of Produce abroad and Consumers at home. The principal Business, and the Business of the greatest Importance, is the Cotton Trade; Liverpool is the greatest Cotton Market in the World. It is a Depôt not only for Lancashire but for many Parts of the Continent. Last Year it was even more extensively engaged in the Corn Trade than London. Its Interest in the Sugar Trade is also extending; but Cotton is the leading Article of Import.

1948. Has that Business been in a State, upon the whole, of progressive Improvement for many Years past?
Certainly as to Extent, but with Variations as to Profit; still the Importance of the Business has greatly increased.

1949. You have stated the general Description of the Foreign Trade of Liverpool; can you state also what is the Home Trade?
A most important Branch of our domestic Trade is the Sale of Cotton to the Spinners for their Consumption; but there are many other Branches of Business carried on; we have Sugar Refineries, Distilleries, Breweries, Soap-boiling Establishments, Ship Yards, &c.; but the Import and Sale of Cotton is the most important Business transacted at Liverpool.

1950. Can you state to the Committee how Liverpool and the Branches of Trade to which you have been particularly alluding were affected by the Alarm that prevailed in the commercial Interests of the Country in the early Part of the last Year, about the Month of April?
I should say that perhaps on account of the very practical Manner in which Business is carried on there, and the Extent of Business in which Liverpool is engaged, no Town in the Country has suffered so much; that perhaps there is no Town which has lost so much Money, and nowhere where at this Moment Trade is more depressed.

1951. What do you consider to be the actual State of Trade in Liverpool?
To use a Phrase that has been so much employed of late that it is now scarcely attended to, Trade is there in a State of Collapse, principally, I should

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say, arising from the heavy Losses which have occurred within the last few Months, and the consequent exhausted Means. I think that I might illustrate this by saying that I do not believe that Six Years of uninterrupted Prosperity and large Trade would give to Liverpool what Liverpool has lost within the last Six Months.

1952. When did the Reverse begin?

There was a temporary, though severe, Depression in April last; but there was a Rally, and Trade seemed to be even more healthy in June and July than it was in the preceding January.

1953. The Business of Liverpool and of Manchester are completely different, are they not?

I consider that we are very much dependent one upon another, we are the Sellers and they are the Buyers of Cotton; in that respect perhaps we are rather antagonistic; they consume, and we import.

1954. Liverpool is in no Degree manufacturing, but wholly commercial?

Not at all a manufacturing Town; we have but One Cotton Mill in the immediate Vicinity.

1955. The Business therefore of Liverpool, as far as the Cotton Trade is concerned, is exclusively importing and re-selling, either for Foreign, Export, or for Home Consumption?

Entirely.

1956. Will you have the goodness to explain to the Committee through whose Intervention and in what Manner your Business is carried on; who is in the first instance the Importer of the raw Cotton?

The Cotton received in Liverpool is either imported on account of Merchants residing there, or on account of the Spinner, but that which is imported on account of the Spinner generally goes direct to his Mill, and does not come into the Liverpool Market; but the great Bulk is imported either on account of the Merchant in Liverpool, or on account of the Merchant or Planter in America; but this last is the smaller Interest.

1957. Have most of the Merchants in Liverpool corresponding Houses in America?

They are connected with such Houses either directly or indirectly.

1958. Between the Merchant and the Consumer, the Business is generally transacted in Liverpool through an Agent and Broker, is not it?

The Merchant when he receives his Cotton puts it into the Hands of a Broker to sell; from that Broker he sometimes receives an Advance upon such Cotton, and sometimes not; it depends upon Circumstances, his Wants or the State of the Market.

1959. The Broker of course only sells upon Commission? He has no other Interest?

Generally no other Interest.

1960. Then, until the Cotton is taken out for Consumption, it remains at the Risk and at the Charge of the importing Merchant?

It does.

1961. Is the Amount of Commission uniform?

Yes; it is a mere Brokerage, One Half per Cent. on the Amount of the Sale.

1962. The Interest then of the importing Merchant and of the Spinner in Manchester are not only not identical, but they are generally at variance?

Yes; inasmuch as the Spinner naturally wishes to get his Cotton as cheap as he can, while the other wishes to get as high a Price as he can.

1963. At what Time of the Year does the Cotton Crop come?

It generally begins to arrive in Quantity at the Commencement of the Year. The American Cotton Statements date from the 1st of September of each Year, and the Receipts into the Cotton Ports are generally over by the Month of June or July at the latest. The Period between those Months, our Months of Import, or, speaking roundly, the first Six Months of the Year, are Months of

of Import and Consumption, and the last Six Months are exclusively Months of Consumption.

1964. Is there any similar Course pursued with regard to taking out Cotton for Consumption, or is that a process which goes on pretty regularly throughout the Year?

It is a Process which goes on from Week to Week throughout the Year.

1965. Are there any Seasons of the Year at which the Amount taken out for Consumption is much larger than others?

That depends very much upon the Demand. I should say that at the Opening of the Year, and in the Spring, there is a much larger Demand for the Home Trade and some Branches of the Foreign Trade, and, therefore, more Activity than in the Autumn and at the Close of the Year.

1966. As between the importing Merchant and the Producer, in what Way are the Payments made for the Cotton?

If, for instance, my House in New Orleans purchased Cotton there for Shipment to me in Liverpool, they would have to pay Cash for it to the Planter or to his Agent, and we of course would be out of Funds until either the Cotton was sold or we obtained Funds by some other Means; but generally speaking until the Cotton was sold.

1967. Then as between the Importer and the Merchant in the Cotton States it is a Ready Money Transaction?

A Cash Transaction, and almost always before Delivery.

1968. As between the importing Merchant and the Manufacturer, what is the Nature of the Transaction?

They have the Option of paying at Ten Days less the Discount; but generally the Payment is made by a Banker's Bill at Three Months.

1969. Is the paying Cash for the Cotton a Course of Trade which has been introduced within the last few Years, or has it been the Case as long as you have been connected with the Trade?

So long as I have known it.

1970. Does it apply to other Ports as well?

To all the Cotton Ports, and arises from the Fact that the weighing, marking, and shipping is a tedious Process, and until this be effected the Delivery can scarcely be said to be completed; but the Purchaser has a Lien on the Cotton which is at once turned over to him.

1971. Can you state what Length of Time, the Average, for which the importing Merchant is out of his Money, as between the Purchase of the Cotton and the Sale to the Manufacturer?

Of Course that would depend upon the Time the Importer held the Cotton, but if that is likely to be prolonged the Broker intervenes by an Advance.

1972. First of all your House at New Orleans draws upon you at Sixty Days' Sight?

Generally they do so.

1973. So that they begin with a Credit of Sixty days?

Yes; but if that Credit be placed against the Duration of the Voyage, it is generally absorbed, so that the Cotton is paid for by the Time it arrives in Liverpool, or is placed upon the Market.

1974. Practically, so far as you are concerned, it is a Ready Money Transaction from the Time that the Cotton arrives at Liverpool?

Yes.

1975. Can you state what the average Amount of the Stock of Cotton in Liverpool has been the last Three or Four Years?

That is a point of very great Importance, which I would ask the Committee to look at with some Attention. It is shown at a Glance in the following Table:

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STOCKS of COTTON in EUROPE on the 31st December, in THOUSANDS of BALES.

	1845.	1846.	1847.
Great Britain	1,055	545	451
France	69	30	62
Holland	18	8	5
Belgium	23	6	8
Germany	17	6	23
Trieste	37	23	44
	1,219	618	591
Deliveries for Consumption	2,356	2,341	1,745
Supply of the Year	3,575	2,950	2,336

From this it appears that the Stock of Cotton in Great Britain was as follows:

31st December 1845 - 1,055,000 Bales.
31st December 1846 - 545,000 Bales.
31st December 1847 - 451,000 Bales.

1976. Is that the Stock in Liverpool, or the Stock in Great Britain?
The Stock in Great Britain; Seven Eighths being in Liverpool, the Remainder being scattered about the Country.

1977. Are the Bales of uniform Quantity?
There are Two Descriptions of Bales from America, those which come from the Southern Ports, and which are of one uniform Weight, and those which come from the Atlantic Ports, which are of less Weight.

1978. Which form the largest Proportion?
The heavier Bales, those shipped from the Gulf Ports; and consequently a short Crop in the New Orleans District may be even much shorter in absolute Weight than appears in the Number of Bales.

1979. The Increase from the Atlantic Ports, though it might appear to counterbalance the Deficiency from the Gulf, would not really do so in consequence of the different form of the Bale?
It would not do so.

1980. Are the Bales from Egypt of the same Description?
No; they again are different.

1981. Does the Amount of Importations which you have mentioned include every Description of Cotton?
Every Description.

1982. Including East Indian?
Yes.

1983. What Proportion of East Indian Cotton is imported into Liverpool?
The Import of Cotton into Great Britain in the Year 1846 was as follows:

United States	991,000	Bales.
Brazils	83,000	„
East Indies	94,000	„
Egypt	60,000	„
All other Parts	12,000	„
Total	1,240,000	„

The Import from all other Quarters is small compared with that from the United States.

1984. Is the Import into Liverpool in about the same Proportions as that into Great Britain?
About the same.

1985. Is the Import from the East Indies regulated and paid for in the same Way as the American?
It is, by Bills.

1986. Merely

1986. Merely longer in proportion to the Distance?
The Bills are at a longer Term. From the East Indies and other Quarters the Quantity of Cotton imported is equal to about One Fourth of the Quantity imported from the United States.

1987. What is the average Weight of the heavy Bale?
The heavier Bales from America weigh about 450 lbs.

1988. Has the total Import of Cotton diminished or increased within the last few Years?
It has largely diminished. The Imports into Great Britain were,

In 1845	-	-	-	1,858,000
1846	-	-	-	1,243,000
1847	-	-	-	1,233,000

And in the same Period the Export of raw Cotton has materially increased, so that the absolute Quantity retained for Home Consumption is even less than these Figures would indicate.

1989. Does that Diminution apply to all Countries, or is it more in the Import from one Country than from another? Is there a Diminution from Egypt, or from India, or from Brazil, as well as from the United States?
With the Exception of the past Year, when there was an increased Import from India, there is a Decrease from almost all other Countries.

1990. Does that Diminution arise from any Deficiency in the Amount of the Crop for those Years?
I think it does; but I also think that the diminished Amount of the Crop arises from the Trade having been unremunerating, so far as regards the Import Trade.

1991. In the course of those Three Years has there been any Increase in the average Weight of the Bales to counterbalance that apparent Diminution?
Not at all.

1992. What has been the Effect of that continued short Supply upon the Prices of Cotton in this Country in the last Three Years?
The Price of Cotton naturally rose very considerably at the Close of 1846 and the Beginning of 1847. We saw that the Consumption of Cotton was going on at such a Rate that it was not only eating up all the Import of each Year, but was seriously trespassing upon the Stock; and if the Consumption of Cotton of 1847 had been equal to the Consumption of the preceding Year, the Year would have closed with less than a Week's Supply of Cotton in Great Britain.

1993. Do you consider the Consumption in 1846 to have been a natural and bonâ fide Consumption, or a speculative Consumption leading to an Accumulation of manufactured Articles?
My own Conviction is, that the Trade in the Years 1844, 1845, and Part of 1846 was so remunerative to the Spinner, that the Extension of Mills and Machinery was pushed to a Degree not warranted by the Supply of the raw Material, and that almost all our Markets, whether at home or abroad, became glutted with Goods in the Year 1846. To show the Extension of Mills and Machinery at that Time, I may mention that I have here a Note which I received from a Gentleman in Manchester, dated the 18th March 1845, in which he says, that the additional Mills in course of Erection or contracted for at Preston at that Time were equal in Extent to 600 Horse Power.

1994. You stated that at that Time the Trade was very remunerating. Can you give any Instances of that without mentioning Names?
I have here a Statement which I took down just as it was given to me; I must, however, say that it is a very extreme Instance, and one which I believe can scarcely be paralleled in the Country, and therefore cannot be taken as a Criterion of the general Rate of Profit in the Trade. I will read it to the Committee, but do not think I should be justified in giving it Publicity unless I had Authority so to do. * * * * But to go from particular Instances, it is well known that at the Close of the Year 1845 there was no Trade that was more remunerative, and in which there was such large Profits. The Stock of

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Cotton in 1845 was large, and good useful Cotton could be bought at 4 *d.* per Pound, and from such Cotton good Second 40 *s.* Mule Twist was made at an Expense not exceeding a like Amount, say at a Cost of 8 *d.* per Pound in all to the Spinner. This Yarn was largely sold and contracted for in September and October 1845 at 10½ *d.* and 11½ *d.* per Pound, and in some Instances the Spinners realized a Profit equal to the first Cost of the Cotton. * * * * * * * * * * * *

1995. Can you state about how long this Profit was going on?

Of course such a Profit as this could not continue for any very long Period, but speaking within the Fact, there were very large Profits to the Spinner during the Year 1844 and 1845.

1996. About what Time did the Profits of which you have been speaking begin sensibly to fall off?

I should say that the Trade continued to be remunerative until the Beginning of 1846.

1997. Was the Diminution then very suddenly felt, or was it gradual?

I think gradual.

1998. You have stated the Case of the Spinner. Were other Branches of the Cotton Trade equally profitable, or did that apply only to the spinning?

I have a Memorandum here about Cloth, but I have not put down such Figures as might have enabled me to speak positively with regard to the Position of the Manufacturer, but I think that his Profits began sooner and fell off earlier than those of the Spinner. Perhaps they might be dated from the opening of the China Trade.

1999. The Consequence was to give a great Stimulus to the Increase of the Trade and to the Erection of new Mills?

Immensely so.

2000. What was the Result with reference to the Prices of Cotton?

The first Result was that of a largely increased Consumption; and in Great Britain the Consumption rose as follows:

1842	-	1,193,000 Bales.
1843	-	1,388,000 „
1844	-	1,426,000 „
1845	-	1,566,000 „
1846	-	1,559,000 „

The Effect on Price was somewhat regulated by the Stocks of Cotton, and is exhibited in this Table of the Stocks and Prices of Cotton at Liverpool on Friday last the 3d of March, compared with the Four previous Years.

Stocks of Cotton at Liverpool, 3d March.

	1848.	1847.	1846.	1845.	1844.
American - - -	156,930	311,190	558,630	530,450	430,119
Other Ports - - -	144,140	156,100	258,950	243,350	198,923
Total - - -	301,070	467,290	817,580	773,800	627,042
Price of "Fair Orleans"	5 *d.*	7 *d.*	4⅝ *d.*	4⅞ *d.*	6¼ *d.*

In March 1844 the Stock of Cotton was more than double what it is this Day, and yet the Price then was 1¼ *d.* per lb. dearer. We have not had so small a Stock as we now hold since 1840, at which Time Cotton was 2 *d.* per lb. dearer than it is To-day.

2001. You have stated 6¼ *d.* to have been the Price in 1844, and that the Price at present is 5 *d.* Is 6¼ *d.* the highest Price at which Cotton has been since the Year 1844?

At the Beginning of 1847 it was higher, and "Fair Orleans" was quoted at 7¾ *d.* per lb.; this was partly owing to our Prospects of a short Supply, and which Prospects subsequent Events fully justified.

2002. Then

2002. Then the late Decline in the Condition of the Cotton Manufactories is not to be ascribed to the Want of the raw Material, as the Price seems to have been lower though your Stock of the raw Material is very much diminished?

I think that the present actual Condition cannot be so ascribed, but I fear that prospectively the Want of raw Cotton will be a serious Evil.

2003. But hitherto has there been any Reason to complain of the Want of a Supply of raw Material for the Manufacturers?

Yes, if the Demand had continued as before, but this was somewhat checked by Price; if, however, the Consumption had continued as in 1846, I have already stated that we should have been brought down to less than a Week's Supply.

2004. At the Time at which the Price was much higher than it is now there was much more Consumption?

Much more.

2005. And much more profitable Business?

I should say so.

2006. When did a Material Fall in the Price of Cotton first take place?

It advanced from September 1846 to January 1847. It then ruled pretty steady until the End of April, when there was a Pressure upon the Money Market, which drove many Holders into the Market, and there was then a temporary Depression of a very serious Nature, nearly 2 *d.* per Pound. But this Depression was recovered, and in July Prices were higher than in the preceding January. The most serious Decline commenced in September or October, and continued till the Close of the Year.

2007. According to the System which you have described of carrying on the Trade, a Reduction in the Price of Cotton falls immediately upon the Merchant, upon the Stock which he has in hand?

Undoubtedly.

2008. Will you state to what you attribute the sudden Fall in the Price of Cotton, which took place first in April and afterwards again in October, which as far as the Merchant was concerned would place him in Distress and Difficulty?

When the Fall occurred in April and October there was a severe Pressure and Panic in the Money Market, which forced the Merchant to sell his Produce—and Produce constitutes a Merchant's Property—at whatever Price he could get for it. In fact they all became Sellers at once.

2009. That is to say, it compelled the Merchant to bring his Stock of Cotton into the Market, whether wanted or not?

Whether wanted or not he was compelled to sell to raise Money.

2010. He sold, and sustained a very heavy Loss. The Manufacturer of course must have obtained considerable Advantage from that?

I do not think he did; for the Importer is also the Exporter, and if the Means of a Merchant as an Importer are curtailed, so are his Capabilities as an Exporter.

2011. In the Export of manufactured Goods?

Yes.

2012. Was there corresponding Distress arising from the State of the Money Market to the Exporters of manufactured Goods as there was to the Importers of the raw Material?

The Importers of raw Materials are generally Exporters of manufactured Goods also.

2013. This Pressure came upon the Manufacturer simultaneously with the Importer of Cotton, so as to oblige him also to bring his Goods to Market to meet his Engagements?

I think so.

2014. The Committee have been informed that a Manufacturer at Manchester wrote to London strongly urging against any Relaxation of the Bank Act in October, because it would have the Effect of raising the Price of Cotton, thereby

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thereby putting the Manufacturers to a Disadvantage. Do you consider that that was a short-sighted Policy on the Part of the Manufacturer?

I certainly do; for, as I have just said, the lower the Produce of the Merchant be depressed, the more circumscribed is his Power to operate as a Purchaser of Goods. Moreover, the Price of Cotton had already been forced down; and I cannot conceive any thing more unwise than to interfere with the regular Course of any Trade, especially one of so much Importance as Cotton. The Result is now shown in the Reduction of the Stock, which is now so small that the Union of a few Capitalists might stop the Industry of Lancashire.

2015. That sudden Fall in the Price of Cotton of course had a Tendency again to stimulate the Production of Goods?

It had.

2016. You are aware that in the course of last Year there was a great Import of Corn from America; was that Corn mainly paid for by an increased Export of manufactured Goods?

The Demand for Corn stimulated very largely the Orders for Goods from America; certainly so at the Beginning of the Year; but when the Pressure in the Money Market occurred the direct Demand became limited, and the Trade took another Form, many Merchants and Manufacturers on this Side shipping and sending their Goods out merely as a Means of raising Money.

2017. Has it been much the Practice of Manufacturers to send out their Goods, not in consequence of Orders but upon Speculation, for the Purpose of getting Advances upon the Goods so sent out?

Largely so, to all Quarters.

2018. Are you of opinion, from your Knowledge of the United States, that Stocks of British Goods have largely accumulated in the Ports of the United States, and that Sales have been effected there at very ruinous Prices?

I think that the Export Trade to the United States was not larger than the United States could have taken off, if it had been distributed through the Year; but there was so much suddenly thrown into the United States, sent absolutely for the Purpose of Sale and Realization, that the Trade was completely disorganized and disarranged.

2019. Notwithstanding the low Price of Cotton at the Time, do you believe that Sales were effected under the Pressure for Money at considerable Loss to the Manufacturers?

Very much so. I think a better Trade was going on in the first Six Months of the Year when Cotton was high, than in the last Six Months of the Year when Cotton was low.

2020. Are the Committee to understand that you think the Fall in the Price of manufactured Goods in America was more than equivalent to the Fall in the Price of the raw Material in this Country?

Fully equal to such Fall, for the Sacrifices in many Instances were very great.

2021. Can you state at what Prices Goods have been sold within your Knowledge in comparison to the Prices paid for the raw Material?

At One Period, and that at the Close of the Year, Yarn was sold in Manchester for the Price at which the Cotton out of which it was spun had been bought in the preceding July.

2022. Did those Sales arise from the Pressure in the Money Market and the Necessity of realizing something?

Absolutely so.

2023. You have stated the Amount of the Depression in the Value of Cotton. Will you be so good as to state the Depression in the Value of Yarn during the last Year?

I find that the Price of good Second 40 *s.* Mule Twist was 10½ *d.* per Pound in January; it varied little until July, and then commenced a gradual Decline; in October the same Yarn fell to 9 ½ *d.*, and continued to decline until it touched 7¾ *d.* at the Close of the Year.

2024. Was that the lowest?

That is the lowest Quotation I have.

2025. You

2025. You are an Importer of Cotton?
I am occasionally.

2026. Will you state to the Committee what the Effect of the present State of the Cotton Market and of the manufacturing Business has been upon your own Course of Proceedings as an Importer of Cotton?
I may mention that I happened to be in London as One of the Liverpool Deputation in May last, and many Circumstances came under my Observation, and, amongst other Matters, it so happened that I heard Mr. Cardwell and Sir Charles Wood's Speeches early in May last. These Speeches related to the Money Pressure then existing, and asserted the Necessity of carrying out the Bank Act of 1844 in its full and entire Integrity. The Principles then asserted seemed to me to be of a Nature that would give an artificial high Value to Money, and an artificial and ruinously low Value to all Commodities and Produce. The Steamer left for America a few Days subsequent to this Debate, and I enclosed these Speeches to my Partner, and gave it as my Opinion that with such a Policy recommended by the Government and acted upon by the Bank, no Merchant could contend, and that we had better do no Business for the Remainder of the Season. To this Determination we adhered, fortunately for ourselves, while all who continued their Business Operations lost their previous Profits, and generally something more.

2027. You in fact suspended your Business altogether?
We did so entirely upon our own Account.

2028. The Cotton Crop of last Year in the United States was a small Crop?
The Crop was very small.

2029. Was that the Crop of 1846 or of 1847?
The Receipts commence at the End of 1846, but the great Bulk was received in 1847.

2030. That was the Cotton raised in the Year 1846?
Yes. The Crop of 1847 was 1,778,000 Bales,
1846 – 2,100,000 „
1845 – 2,394,000 „

2031. You stated that from the Circumstances you mentioned, from the Tendency you saw to a Fall of Prices in this Country, you gave Orders to your Correspondent to cease Business altogether for the present. Have you any Reason to believe that other British Merchants took the same Course that you did?
I fear not many did. Some certainly did so. Many of my Friends in Liverpool were disposed to do so, imagining that certain Circumstances must happen, but no such Fear seemed to influence the Management of the Bank of England; on the contrary, they rather extended their Facilities, even before the Close of the Month of May. In June and July the Money Market continued in an easy State, Prices of Produce rallied, and many began to think that their Apprehension had been groundless.

2032. In the meantime, with a short Crop of Cotton in America and diminished Purchases from hence, were there increased Purchases going on from other Parts of the United States and also from other European Countries?
In October, when our Business was more depressed, there was a large Business doing in Cotton for Export. At a Time we were all Sellers and Cotton was very low, the Export Demand was exceedingly active. I think that at one Time there were Thirteen Vessels loading in Liverpool with Cotton for Trieste. The Continental Buyers bought largely of the raw Material at the cheapest and lowest Point of the Market.

2033. Cotton Yarn?
No; the raw Cotton.

2034. Which otherwise would have been manufactured in this Country?
It is so to be presumed.

2035. It is hardly necessary to ask you whether that State of the Manufacturers and of the importing Merchants has exercised an injurious Effect upon the Operatives engaged in the Cotton Trade?
Very materially indeed. The many Alternations they have had to undergo,

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long Time and short Time, and the Vicissitudes of Trade, have told severely upon this Class, and I believe that at the present Time there is a much more extensive Plan or System of Emigration going on or preparing than ever was known in this Country, at least amongst the Operatives.

2036. It is your Impression that the Result of the Principle of low Prices has, so far as it has gone, been injurious to the manufacturing Interest?

I think that it has, in this Manner: the low Prices of Cotton here have materially interfered with the Production of Cotton in America; and I conceive that nothing is so important to our Manufacturers than a full and free Supply of Cotton, so that they can enter the Liverpool Market or any other Market and purchase freely without affecting Prices. Such is not the Case at present. The low Prices which have prevailed here have made our Manufacturers more dependent upon America than they were before. There has been no Extension of the Cultivation of Cotton in America of late, and though some Diminution in the Production may be owing to Accidents of Seasons, I have no Doubt that the great Cause has been the non-remunerative Rate at which Cotton has been selling for the last few Years.

2037. From the Information you have had from your Partners in America, can you state to the Committee what you consider a fair remunerative Price for the Grower of Cotton?

I have been in America myself, and have made similar Inquiries, and, compared with the Prices of other Products, Labour employed, &c., I should say that the Cotton Planter generally would be well remunerated at Ten Cents, or 5 *d.* per lb.

3038. 5 *d.* in Liverpool?

No; in any of the Cotton Ports.

2039. What average Price in Liverpool would you consider to be a Price that would not check the Growth in America, and at the same Time not afford any extravagant Profit?

I think about 6¼ *d.* to 6½ *d.* per Pound for Fair Orleans would be a fair average and sufficient Price. But in regard to America I may add, that what would be a remunerating Price in One District would not be so in another; and that in Louisiana, Land upon which Sixty Thousand Bales of Cotton have been grown, perhaps even as much as 100,000 Bales, has, within the last Two or Three Years been turned into Sugar Culture, finding it more remunerative than Cotton.

2040. Then the Effect of continued low Prices ruling here will have been to decrease still further the Growth of Cotton in America, and thereby tend ultimately to increase the Price that we shall have to pay for the raw Material?

I look upon the present low Prices of Cotton—comparatively speaking low, on account of the limited Stock and Imports—as a most serious Question, because I believe they will ultimately lead to a Range of high Prices, such as we never should have had if our Prices had not been forced down so low.

2041. Without referring to the last Three or Four Years, or any Circumstances that may affect the Price at the present Moment, what has been the Price of raw Cotton at former Periods, say within Ten Years, in the American Ports?

The Prices there and here generally bear such Relation to each other that if I mention one I almost include the other. I have already said that the Circumstances of this Year with regard to the Supply and Demand are very similar to those of the Year 1840. We then had about the same Stock and the same Prospect of Supply; but at that Period Cotton was just 2 *d.* per Pound dearer than it now is.

2042. In former Years there have been Fluctuations in Price?

Certainly.

2043. To what Extent may they have gone?

I believe that in that Year, or rather in the Year previous, Cotton went up to 9 *d.* per lb.

2044. Do you know what the lowest Price may have been?
I have no Table to refer to; but I do not think that Ten Years ago Cotton had ever been so low as it now is.

2045. Can you form any Calculation, speaking of the Merchants of Liverpool alone, and of the sudden Fall in the Price of Cotton alone, what has been the pecuniary Loss sustained by those Merchants in the course of last Year?
I should say that in the last Four Months of the Year 1847, the Losses to the Merchants of Liverpool by the Fall in the Price of Cotton were at least One Million and a Half Sterling.

2046. Were there any Circumstances at the same Time creating considerable Loss to the Trade generally in Liverpool, or do you confine it to the Article of Cotton?
I speak of Cotton, knowing more about that Article than any other, but I suppose that all other Trades to a certain Extent were depressed; but none equally with Cotton.

2047. A monetary Disturbance and a Difficulty in obtaining ordinary Facilities of Credit must affect all Merchandize at the Time?
Undoubtedly; but at a great Sacrifice. Cotton can always be forced off, and a Sale at some Price effected.

2048. You stated that things were moving on pretty satisfactorily in June and July last Year, so much so as rather to induce the Belief that your Apprehensions early in the Year were not well founded. When did the Pressure begin afterwards?
It came upon the Trade almost instantaneously; it began at the End of September and was most severe in October.

2049. What was that attributable to?
I attribute it in One Word to the almost total Cessation of all Banking Facilities, and the sudden Curtailment of that Bank Accommodation which is usually given to Merchants.

2050. You have stated that an excessively low Price of the raw Material of Cotton may be attended with evil Consequences even to the manufacturing Interest. It was stated by a Witness to the Committee that the lowering the Price of the manufactured Articles was so far an Advantage that the stopping of a Bale of Goods, which had been ordered previously to the 23d of October, on account of the Letter from the Government, was an Evil. Should you consider that to be an Evil?
Certainly not, if the Goods had been mine, considering the Circumstances of the Goods and Money Market at that time. These Goods had doubtlessly been ordered for Sale at a large Sacrifice merely as a Means of raising Money, and which Sacrifice it is probable that the Government Letter obviated by removing a Restriction which pressed upon the Money Market.

2051. Will you describe the Description of the Sales at that Period?
Almost all Sales were forced Sales; indeed, a Sale of Produce or Property was the only Means left of raising Money, the customary Banking Facilities not existing.

2052. You state that Trade in the Cotton Market was pushed to a great Extent in the Years 1845 and 1846. Was not that owing to the very low Rate at which the Interest of Money was at that Time?
Undoubtedly; I think that was a great and primary Cause.

2053. You stated that the Cultivation of Cotton in the United States has greatly diminished of late Years, and that there has been substituted for it the Cultivation of Sugar?
In Louisiana.

2054. Do you ascribe that to the low Price that Cotton has borne in this Country?
Yes.

2055. Supposing that any Circumstances should lead to a permanent Increase in the Price of Cotton, would that have any Effect upon the Substitution of the Cultivation of Sugar for the Cultivation of Cotton?
When a Change is once effected it would be a Matter of Calculation whether it

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it would be worth while, except indeed under very peculiar Circumstances, to change back again; but certainly with more Inducement the Americans would be more likely to give us more Cotton.

2056. You stated that in Louisiana there has been a Diversion from the Cultivation of Cotton to that of Sugar; may not that in some Degree be accounted for by the increased Growth of Cotton in other States?

No, I think not. In Georgia and in the Atlantic States generally there has been a falling off. Of course a good Season will now and then intervene; but we are just in this Position, that with the Stock we now have, and with our Prospect of Supply, we shall be entirely dependent upon the United States Crop for even a Sufficiency of Cotton for the ensuing Year; and if Goods should become in Demand and Trade revive it is possible that we may not have the Cotton to meet the Demand, and in fact that a deficient Supply of Cotton would limit the Business to be done.

2057. You think that nowhere you can get the Quality of Sea Island Cotton except from America?

To a small Extent it has been grown upon the Madras Coast, and perhaps elsewhere in small Parcels.

2058. Was not there a very large Increase in the Growth of Cotton in America of late Years?

The largest Crop yet made was in the Year 1845, and this was principally owing to the Season, which was uninterruptedly fine all through, equally so for planting as for picking, from the Beginning of March down to the last Day Cotton was picked.

2059. Looking at the Produce of American Cotton for the last Four Years, has not there been a considerable Increase in the Cultivation of Cotton in the United States?

Previous to the Year 1845 the largest Crops made were in the Years 1840 and 1843.

2060. That being the Case is not it the natural Conclusion that the Amount of those Crops and the great Extension of the Cotton Cultivation in America must have had a marked Effect upon the Price of raw Cotton?

That would have been the Case had there not been even a still greater proportionate Increase in the Consumption.

2061. Is there not an increased Demand for Cotton for the internal Consumption of the United States?

Largely so.

2062. Increasing every Year?

Yes; but somewhat interfered with, I think, this Year, by the ruinous Sales of English Goods sent out to be forced off at any Price.

2063. Does the greater Part of the Cotton which is grown in America and exported come to England?

About Half of the Crop comes to England, but the Proportion seems to be growing less.

2064. Are the Exports to other Countries direct from America increasing?

Decidedly so. I see in the last Table of Exports from America, which are made up with great Care in New York, that the Exports from the United States so far this Season are 251,000 Bales, against same Period last Year 269,000 Bales, and the Year before 391,000 Bales, showing a most sensible Decrease; whereas to other Foreign Countries there is an Excess of Export of 56,000 Bales.

2065. To what do you attribute that Change in the Export Trade from America?

I should say that in the first instance it is to be attributed to the Extension of Manufactures in other Countries, and also under present Circumstances to the diminished Means of our Importers, and also to the Discredit attached to English Bills. Here is one of the latest New Orleans Prices Current, in which I find the following as the Operations of the Market: "The total Sales since "the 17th ultimo are 45,000 Bales, only a small Portion of which has been "taken

" taken for England, the Bulk of the Transaction being for Spain, for the " Continent, and for the Northern States."

2066. How is the Cotton so exported from America to the rest of the World paid for?

Much of the Cotton that is bought for Spain is bought with Credits upon Havannah. For the Continent it is generally bought with Credits upon France, or against Foreign Credits lodged in London. But this Season the great Bulk of the Credits have been upon France, Francs selling readily whilst Sterling Bills would not do so.

2067. Then it has been paid for in Bills, not in Manufactures?

By Bills in the first instance.

2068. You have stated that there was a very large Increase in the Production of American Cotton for several Years previously to 1844. What was the Price of Cotton in 1844?

The Price of Fair Orleans upon the 3d of March 1844 was 6¼*d.*, To-day it is 5*d.*, and the Stock then was just double the Quantity we now have.

2069. What was the lowest Price of Cotton?

The lowest Price, excluding the late Depression, was in the Year 1846, when the Stock of Cotton was Three Times greater than our present Stock; the Price then was 4⅝*d.* per Pound.

2070. You have stated that 6*d.* is not an extravagant Price for Cotton?

Not at all.

2071. That is a reasonable Price for Cotton?

I think it is.

2072. You stated that there was a very large Production during the Years previously to 1844?

There was a large Crop in the Years 1839–40, in 1842–43, and in 1844–45.

2073. But notwithstanding that, you have stated that the Increase in the Consumption was greater in proportion than in the Production of Cotton?

I think I proved that by showing that our Consumption had not only eaten up our Imports but had seriously trespassed upon our Stock, and this continued Diminution of Stock sufficiently shows the increased Consumption. The Year 1845 closed with upwards of One Million of Bales of Cotton in Great Britain. To-day the Stock is less than One Third of that Quantity.

2074. Was not there a Decline in the Rate of Interest during those Years of which you have spoken as exhibiting a large Increase in the Cotton Trade?

A low Rate prevailed throughout those Years.

2075. During those Years during which you say there was so large a Production of Cotton, and a still larger Consumption of Cotton, did the Prices of raw Cotton rise or fall?

Prices fell under the Effect of the large Crops of 1842–43 and 1844–45, but rallied with increasing Consumption.

2076. Can you state from Recollection whether the Price of Cotton was at any previous Period below the Price which you mentioned in 1844?

At no previous Period were Prices so low.

2077. You have stated the Loss which the Merchants in Liverpool have sustained from a great and sudden Depression of Price in the Article of Cotton. Has there been from the Importation of other Articles into Liverpool, Sugar more especially, a similar Fall of Price, and a consequent similar Loss to the Holders?

In Sugar equally severe Losses may have been sustained.

2078. Can you measure the Amount of Loss which may have been sustained by the Merchants in Liverpool from the Fall in the Price of Sugar?

I cannot do that exactly. Liverpool has stood very well under the Panic and Money Pressure; the absolute Failures have been very few, though it is impossible to estimate the Sacrifices at which Credit has been maintained, but I fear

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I fear that there is not a Merchant in Liverpool who closed the Year 1847 with One Fourth of the Property he possessed at the Beginning of the Year.

2079. Are you of opinion that the Effects of the recent and of the present Depression, and the Loss of Capital which has been sustained in the course of the last Year from the forcible throwing down of Prices, will be felt upon the Commerce of this Country for many Years to come?

I do think that for a long Period to come such Effects will tell upon the Merchant and the general Trade of the Country, by interfering with Supplies and disarranging the usual Operations of Commerce.

2080. Is that the Opinion of any Bankers or any Correspondents of yours?

It is the general Opinion. But I have with me a Letter so descriptive of what Liverpool has recently passed through, that I will read it and put it in as Evidence. It is written by a Manager of One of our Banks, possessing much Experience both as a Banker and Merchant, and a Gentleman of great Ability. It is dated Liverpool, 6th March 1848, and thus commences:—

"My dear Sir,

"I have your Favour of the 3d instant in regard to the Proceedings of the "Committee on Commercial and Monetary Affairs, and I trust that the "Evidence given by practical Men before them will lead to some Alteration "in the Bill of 1844.

"The State of Things immediately previous to the Promulgation of the "Government Letter of 25th October was perfectly fearful, and, I believe, "without Precedent in the commercial History of this Country. Bills of "Exchange of the first Quality in themselves, and to which this and other "Banks were willing to add their Endorsement, were absolutely inconvertible "into Cash; and it is my firm Belief that many Houses, who were not merely "solvent but able to pay 40*s.* and 60*s.* in the Pound, must have stopped had "the Government Letter not been issued. *Immediately* on the Issue of that "Letter the *whole Difficulty was removed.* Not only were our Bills available "at the Bank of England, but with all the Discount Brokers; they were, "I may say, eagerly sought for by the Country Banks, and by private monied "Parties seeking for Investments, at even lower Rates than the Branch Bank "of England here were willing to discount at. This showed, beyond Dispute, "I think, that the Scarcity of Money was artificial, not real, and that the Panic "was a moral one, caused by the mischievous and whimsical Provisions of the "Bank Act of 1844, and not by Want of Confidence in the Securities (the "Bills of Exchange) themselves, for the Securities remained of course pre-"cisely the same after the 25th October as before that Date.

"I have no Hesitation in stating that, in my Opinion, the Letter of 25th "October virtually annulled the Bill of 1844, and saved the Country from an "almost universal Stoppage of Payments in which the Banking Department of "the Bank of England would have been included.

"There is One Point in the Management of the Bank of England of which "I think the Liverpool Community have most reasonable Grounds to complain, "and that is, that at the Branch here the Rate of Interest charged on the Dis-"count of Bills *is One per Cent. higher than at the head Office in London.* "At the Time when every respectable Tradesman who had a Discount "Account with the Bank of England in London could get his Bills discounted "at Eight per Cent., the wealthiest Merchants here, and the Banks who sent "their Bills endorsed to the Branch, were charged at the Rate of Nine per "Cent.; and To-day it is the same. The Bank in London I hear are dis-"counting freely Trade Paper at Four per Cent., and here (should I ask for "any thing beyond the Contract Account, which you are aware we have "under special Agreement, and to a limited Amount, with the Bank of Eng-"land) I should be charged Five per Cent., say for ————'s Acceptance "with this Bank's Endorsation."

2081. Do you concur in that Representation of the State of Things?

I do. I think it is perfectly true and correct.

2082. Can you state from your Knowledge whether, in their Dealings with Liverpool Merchants, there has been any Distinction made by the Bank of England between their Charges to Liverpool Merchants and their Charges to Merchants in London?

The Branch Bank of England at Liverpool is in the habit of charging One Half,

Half, never less than One Half, per Cent. more than the Rate of Discount charged at the Bank of England in London, even upon the same Bills which, if discounted in London, would be charged at the lower Rate. I have here a Table showing the Rate of Discount at the Bank of England, and also the Rate charged at the same Dates by the Branch Bank of Liverpool, and which I will read and put in.

RATES of DISCOUNT charged at the BANK of ENGLAND and at the BRANCH BANK at LIVERPOOL.

BANK of ENGLAND.	BRANCH BANK at LIVERPOOL.
1847:	
7th August, 5½ per Cent.	Bills maturing before 17th October 6½ per Cent.
	Not longer than Three Months 7 per Cent.
	October:
	Two Months Paper, 7 per Cent.
	Three Months Paper, 7½ per Cent.
25th October, 8 per Cent.	26th October, 9 per Cent.
27th November, 7 per Cent.	23d November, 8 per Cent.
4th December, 6 per Cent.	7 per Cent.
24th December, 5 per Cent.	6 per Cent.

2083. Was there at One Time a Refusal on the Part of the Branch Bank in Liverpool to discount at any Rate?

Two Instances have been given to me; the first I had from Mr. ———— one of the most wealthy and respectable Merchants in Liverpool. He stated to me that on the 23d of October last he sent to the Branch Bank of England Two Bills, each for about 1,500 *l.*; each Bill bore the Endorsement of the Bank of France; one was drawn by ———— and the other by ————, the most eminent Names on the Continent, and each Bill had only Three Days to run. Mr. ———— sent them by his Cashier, merely intending to put them in for Collection; but whether the Cashier or the Manager of the Branch Bank misunderstood the Object, the latter returned them, saying that they were not discounting at all that Day. Now I take it that the most prudent mercantile Man would have been justified in keeping such Bills in his Bill Case, and considering them at all times as equal to Cash. The other Instance was given to me by the managing Partner of the very wealthy Firm of Messrs. ———— Brothers and Co., and I may add that these Gentlemen keep no other banking Account than that with the Bank of England or Branch Bank. On the 28th September 1847 they sent to the Branch Bank 10,000 *l.* in Bankers Bills, of which only 1,500 *l.* was discounted at 6½ to 7 per Cent. On the 29th September they sent of the same undoubted Description of Bills 7,500 *l.*, all of which was refused. On the 30th September 7,000 *l.*, and all was refused. On 5th October 2,000 *l.*, which was again refused; and I believe that these Applications were made to test the Fact whether the Branch Bank was discounting or not.

2084. Are there any discounting Houses at Liverpool besides the Branch Bank?

There are other Banks.

2085. Which are in the habit of discounting Bills?

Yes.

2086. Do they follow in the Wake of the Branch Bank of England?

Entirely; for most of them re-discount at the Bank of England. And I think it was mentioned by one of the Liverpool Deputation in October last, that the Bank of ———— held at that Moment 260,000 *l.* in Bank of England Notes, although they seldom shut their Doors in ordinary Times with more than 40,000 *l.*; and they intimated to the Bank of England their Desire to continue to the mercantile Community their usual Facilities in discounting Paper, provided the Bank of England would guarantee the usual Facilities of Re-discount. The Bank of England declined to make any such Agreement; and the Bank to which I allude was therefore compelled to refuse the customary Facilities to its Customers.

2087. The Rate of Interest demanded by the Bank of England determines the Rate of Interest in Liverpool?

It does so.

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2088. Is there any Reason assigned for the Difference of Interest which you state is made by the Bank of England between their Discounts at Liverpool and their Discounts in London?

The Difference probably originated in this Circumstance: at One Period, and that shortly after the Establishment of the Branch Banks, a Plan was adopted of making a Distinction between Bills. They were divided into Two Classes, say A 1 and A 2, and a different Rate of Discount was charged upon Paper called A 2, perhaps One Quarter per Cent., from that charged on Paper called A 1. This was an Injustice done both to the Holders of such Paper and to the Houses so classed, for it was throwing a Stigma upon Parties, who, considering the Business they transacted, and the more limited Engagements they came under, were equally responsible with Parties who were called A 1, and whose Paper was charged at the lower Rate of Discount. It also had the Effect of throwing Business into the Hands of a few Houses which would otherwise have been more generally extended. After many repeated Remonstrances this Classification was done away with, and a Distinction adopted of charging all Paper discounted at the Branch Banks at One Half per Cent. more than the Rate charged in London.

2089. Putting it Half per Cent. higher for Country Bills?
Yes.

2090. Then it was not peculiar to Liverpool, but adopted with regard to the Country generally?
I believe in the Country generally, but I allude particularly to Liverpool and Manchester.

2091. At how low a Rate of Interest has the Branch Bank of England at Liverpool ever discounted within your Recollection?
I am not competent to answer that Question with Precision.

2092. Was it ever as low as Two per Cent.?
I should say not.

2093. Were not many of those Houses that you refer to as A 1 Houses that have since failed?
A great many of them; perhaps most of them.

2094. While those in A 2 are those that have stood?
Yes. Why the distinction was made I cannot tell. Such Houses had not the same commercial Prominence; but, considering their Business, they were equally, and the Result has proved even safer than the more favoured Class.

2095. At the Time those Discounts were refused by the Branch Bank, are you aware whether the Bank had in their Hands Paper which they had considered very good, but which about that Time turned out not to be good?
I do not think so; and in regard to Liverpool, I believe that the Losses by the Banks have been very trifling indeed. I think that the Banks last Year have made and not lost Money.

2096. You have given the Committee a Description of the Manner in which the Importation of Cotton from the United States is regulated. Are you also concerned in the Exportation of Manufactures from this Country?
Yes.

2097. In what Manner does that take place; upon what Extent of Credit? Is it the same Ready Money Business that the Importation of Cotton is?
No, there is a Difference; but if the Committee will allow me I will read a Letter from the most eminent Merchant in Liverpool, which will at once illustrate the Mode of Business, and the Effect upon such Business by the recent Pressure. He says, "You wish me to inform you what Course we pursued in "October with respect to the Credits opened with us for the Execution of "American Orders. When our Friends had opened Credits with us, we felt "ourselves as much bound to meet them as if we had accepted a Bill of "Exchange, but by every Steamer (prior to the Period you mention), as we "saw the Storm approaching, we wrote to our Partners to refrain as much as "possible from granting Credits, and we discouraged the Purchase of Goods "to prevent our being brought under new Engagements. But inasmuch as "Bills at Four Months, which is the regular Course of Drafts, from the "manufacturing

" manufacturing Towns on Merchants and Bankers for the Purchase of Goods " going to the United States, could not be discounted except at great Sacri- " fices, the Execution of Orders was checked to a great Extent, until after " the Government Letter of the 25th October, when those Four Months Bills " became discountable, and Business began to resume its usual Character. " Prior to the Government Letter of Guarantee Parties were calling upon us " to advise what they should do, so that I am perfectly cognizant of the " Facts. I cannot state the Extent to which Credits were refused by my " Partners, but they were to a considerable Amount.

" Truly yours,

" To A. H. Wylie, Esq. ——— ———."

2098. The ordinary Course of that Transaction is for the House shipping at Liverpool to be drawn upon at Four Months by the Manufacturer?
Yes; that is, by the Purchaser or his Agent.

2099. When the Four Months come round are the Bills paid, or are they occasionally renewed?
I think such Bills are never renewed, or at least very seldom so.

2100. Before the monetary Difficulties of last Year those Bills upon those Houses had been readily discounted?
Such Bills, with Cotton Bills, have been the favourite Paper of Banks and Discount Brokers.

2101. Those Bills during the monetary Difficulties of last Year were almost wholly unnegotiable?
One of the Letters which I have already read states that they were absolutely inconvertible into Cash.

2102. Must not that have contributed very much to check the ordinary Credit with which that Business was transacted?
It did so; so extensively that I believe in October last there was scarcely an American Buyer purchasing Goods here who did not at once curtail his Orders as much as he possibly could; and when our Advices of the Dearness of Money reached America all fresh Orders ceased.

2103. Do you consider that an imprudent state of Credit, or has it been an Extent of Credit upon which the Business has for many Years been conducted?
The Credit upon which Goods are purchased is most legitimate. Such Credits are covered by Remittances direct from America, and no Business can be conducted on safer or sounder Principles.

2104. You mean that the Goods are actually shipped?
I mean that the Transactions are absolute and bonâ fide.

2105. Were there a Number of Failures at that Period in Liverpool?
There were some Failures in Liverpool, but I do not think that they were what you might call a Number, neither do I think that they were of any great Consideration. Considering the Extent of Business done at Liverpool no Town has sustained its Credit better.

2106. Were there Failures in the Corn Trade?
I do not know that I could name Three Houses of any Reputation in the Corn Trade that failed last Year.

2107. Did you examine the Statements of Affairs of those Houses that failed?
I did not make any particular Examination.

2108. Were not they published?
I have seen what was published, but made no further Examination.

2109. Are you aware, generally speaking, of the Result of the Statements of Affairs of the Houses that failed in Liverpool?
Speaking generally, I am.

2110. Do you conceive that a great Number of them could have paid their Liabilities in full?
The Failures were various and caused by different Circumstances; some certainly

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certainly failed who deserved to fail; others were brought down by the extraordinary Fall in the Prices of Produce, which for a Time lost its representative Value.

2111. What Proportion of the Number that failed in Liverpool were of the Class that ought to fail?

The very smallest Proportion.

2112. You cannot state the Number?

No.

2113. Nor can you state the average Out-turn of their Affairs?

No; there have been Instances of great Over-trading, but I do not think there were Half a Dozen such Instances.

2114. The Pressure at Liverpool was very much aggravated by the Suspension of the Royal Bank?

It was for a Time, more perhaps by the Alarm occasioned than by the absolute Effects.

2115. It was a very material Ingredient in the Embarrassments of Liverpool?

I scarcely think so. The Royal Bank of Liverpool worked with a certain Party, and I do not think that it influenced the great Bulk of Business transacted at Liverpool.

2116. But it caused great Alarm?

Yes; I think that the Alarm had more Effect than any thing else.

2117. You are aware of the Manner in which that Bank had been conducted, that they had a paid-up Capital of about 600,000 *l.*, and that they had about 500,000 *l.* advanced to One Individual?

Yes.

2118. Do you think that a sound System of Banking?

I think that nothing could be more unjustifiable; it was a gross Instance, which has deservedly re-acted upon the Shareholders.

2119. You consider, however, that that was an Exception, and almost a single Exception, to the ordinary Course of Business in Liverpool?

I should say so; but I freely confess that in my Opinion the Management was most discreditable.

2120. Are you aware how large a Proportion of those Houses that failed in London were of the Class that you allude to as Houses that ought to have failed?

Owing to certain Circumstances many London Houses in the Corn Trade failed, which was not the Case in Liverpool. The Failures in London commenced with the Corn Trade.

2121. What Circumstances do you refer to?

I refer to this: in Liverpool there was a general drawing-in in April last, so far as regards the Corn Trade. The reverse was the Case in London; and I believe that the Trade there did not embark extensively in Speculations in Corn until after that Period, and until our Merchants had retired. All previous Speculations had paid large Profits, while all those then entered into lost heavily. But the Failures are not all to be ascribed to the Disasters in the Corn Trade. The recent Changes in the Legislation, particularly in regard to the West Indies, brought down many Merchants.

2122. You have no Doubt that the commercial Capital of Liverpool is greatly diminished by what happened last Year?

Immensely so.

2123. And you ascribe that mainly to the Derangement of the Monetary Circulation?

I do so almost entirely; and I could give many instances to show the Extent to which Trade was deranged, and the Want of Confidence which naturally followed. Here is a Letter which alludes to a Circumstance that has already been publicly commented upon, I mean the relanding of a Shipment of Specie making to the United States in May last. The Letter is written by the Party who was making the Shipment, and explains both the Object of the Shipment and of its being relanded; it says, "At the Time we relanded the Parcel of

"Gold

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" Gold shipped for America last May, we had no Doubt about its being a " desirable and profitable Operation, and our American Partners had advised " it, but you may remember that we had some Hesitation about it on account " of the Money Pressure and Want of Confidence which rendered our Depen- " dence upon the Bills receivable we held less certain. But, finally, we agreed " to make the Shipment, though to a less Extent than we at first contem- " plated. On the following Day, however, the Money Market became so " much more unsatisfactory, and the Pressure so extreme, that we determined " to reland it and forego the Prospect of a profitable Operation, in order to feel " the more completely at ease here, in view of the Possibility of a still greater " Pressure."

2124. Do you know what ultimately became of that Gold which was so disembarked again?

Not of this individual Parcel of Gold; but the very Fact of Mr. ——— mentioning that the Shipment would have been a profitable Operation, shows that we were then indebted to the United States; and the Money Pressure interfering with the direct Liquidation of such Indebtedness by Shipments of Gold, no other Mode of Payment remained but an indirect and more costly one.

2125. Do you ascribe much of the Pressure upon Trade to the Management of the Bank?

I think that the Management of the Bank has been unfortunate in not having secured the Confidence of the Public. The Direction has been much cavilled at, and I think it is generally regarded with Mistrust.

2126. Have you paid any Attention to the Action of the Exchanges upon the commercial Affairs of the Country?

I will not say that I have done so especially, at least not more than the Subject forces itself upon the Notice of a Merchant.

2127. Do you think that the Trade of this Country can permanently thrive under a State of the Monetary Circulation which produces Fluctuations in the Interest of Money from Two per Cent. at one Time up to Ten per Cent. at another? Are not Fluctuations of that Description destructive of sound Trade in any Country?

Decidedly so. In regard to our Trade I believe that it never was in a more precarious State than it is at this Moment, and I look with the utmost Alarm to the future. I cannot express how very seriously I look upon our commercial Prospects; the Effects of the recent Misfortunes are yet to be felt, and such Effects, I take it, will soon be evinced by a serious Falling-off in the Revenue. I am convinced that in Lancashire, which is a practical County, where People both think well and work well, Trade, Labour, and Capital were never so contracted as they are at this Moment, and I see no Chance of their Expansion in the Absence of that Confidence which is the Basis of all Trade.

2128. Do you think that is very much owing to the Check which Orders received during the last Year?

Several Circumstances have done so.

2129. What are the Circumstances to which you allude?

The great Fall in Prices, the Losses on Produce, which may be called the mercantile Property, the Exhaustion of Means, and the consequent Blow given to Credit.

2130. Was not a great Part of the Destruction of Property which you mention simply this, that Persons made unprofitable Speculations, whereby, of course, they not only did not realize Profit, but they lost the Property embarked in those Speculations?

The Result has shown that they were unprofitable; but at the Time they were entered into, and so far as all Business Calculations could be made of Supply and Demand, there was every Reason to suppose that they would have been profitable; but all such Calculations were destroyed by the Action of the Bank, and the Result was very different from what might have been expected.

2131. Did the Operations of the Bank in any Way whatever affect the Change that took place in the Price of Corn between the Spring of the Year and the Autumn of the Year?

No; I think not.

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2132. The Question refers to the Corn Speculations entered into in April, May, and June, of which the Result came off in the Autumn?
I should say not.

2133. Did the Action of the Bank in any way occasion the Losses which occurred upon West India Property from the Depreciation which took place in that Property?
No; at least not directly.

2134. But did not the Action of the Bank affect the Value of manufactured Goods which were obliged to be sold to raise Money immediately?
Undoubtedly; but the Two Cases of Corn and Sugar were special. The Corn Market was affected by the Prospects of the Harvest, and Sugar was affected by the immense Stocks and Imports.

2135. The first Failures in the Autumn began with the Corn Houses?
They did.

2136. The West India Houses were the next that failed?
Yes.

2137. Those Two Circumstances of course led to a great Pressure upon the Market, whatever the State of the Commerce of the Country might be in other respects?
They naturally led to some Pressure.

2138. Do you ascribe the Failure of the Corn Houses to any Operation on the part of the Bank with respect to its Issues?
Not with respect to its Issues; but it was notorious that the Bank of England at an early Period set its Face against Corn Paper. If it had not done so some of the London Corn Houses might not have failed; in Liverpool very few did.

2139. Did not those Corn Houses fail from the great Change in the Price of Corn, the Result of a good Harvest after a very bad one?
The Prospects of the Harvest were a great Cause.

2140. Then what Action of the Bank could by Possibility have suspended the Evil?
I have said that the Two Cases of Corn and Sugar are out of the general Category.

2141. If they were the principal Causes of the Difficulties that arose, does not it seem to be ascribing too much to the Operations of the Bank to say that they were the Cause of the commercial Pressure?
I do not think that I have said that the Failures of the Corn Houses and the Failures in the West India Trade were the Cause of the subsequent Pressure.

2142. Do you consider them the Cause of the great Loss of Capital in Liverpool?
No. I consider that the great Loss of Capital was in the general Trade of the Country, not merely in the Corn Trade and West India Interest.

2143. Was there not a great Loss of Capital in this Country independently of those Occurrences which took place in the Autumn of last Year, arising from the Failure of the previous Harvest?
There was a great Loss of Capital; but a Loss, which I believe, with Economy and Prudence, we might have supported, at least the Effects would not have been so severe if they had not been aggravated by the Action of the Bank.

2144. Have you looked into the comparative Amount of the Payments for the Importation of Food for the Two Years 1845 and 1846, compared with what they were in other Years?
I have; and I think the Estimate of the Cost for the Imports last Year much exaggerated. The Selling Prices ruling here from September 1846 to April 1847 could scarcely be called Trade Prices, they were artificial, and raised by the Irish Loan, or a great Part of it, being thrown upon the Market, and this naturally caused a Price which would not otherwise have been attained.

The

The Profits on the Shipments of Grain which arrived here in the Quarters ending January and April 1847 were perfectly enormous, perhaps One hundred per Cent. on the Cost of the Invoice; so if Money went out in one Direction, it came in in another, for almost all these Shipments were upon English Account.

2145. You do not conceive that in spite of the high Price that was paid for this Corn there was more Corn imported than was necessary for the Sustenance of the Population of the Islands?

Not if you feed the People, a Question I do not wish to go into, the Necessity being one Thing, and the Means of doing so another; but I merely want to show that by throwing any additional or unexpected Amount of Money into any Market whatsoever, you must raise Prices in that Market.

2146. Are you aware what the relative Price of the Corn was in British Ports and in Foreign Ports of the Continent of Europe?

France imported nearly Four Millions of Quarters of Wheat, a Quantity far exceeding the Wheat imported into this Country. The Port of Marseilles alone imported more Wheat, merely Wheat, than was shipped from the United States during the whole Year.

2147. From whence?

From different Quarters.

2148. For what Period?

For the Year 1847.

2149. Does that include the Imports from Odessa as well as from the States?

Yes; the principal Imports into Marseilles were from Odessa.

2150. Are you aware what the Amount of Importation into England was?

About 3,500,000 Quarters of Wheat and Flour, and 9,000,000 Quarters of Indian Corn, Meal, and the coarser Grains, which at one Period were proportionately dearer than Wheat.

2151. Whatever the Price of those different Descriptions of Corn might be, surely you do not intend to deny that during these Two Years there was a very large Amount of Capital devoted to the Importation of Food?

Undoubtedly there was.

2152. But a large Importation of Corn from America, for instance, was not likely to do any Harm to the Manufacturers of this Country; must it not rather have promoted their Exports?

It did so for a considerable Period, and would have done so, had not the Money Pressure interrupted those very Orders.

2153. In short, we should have paid for that Corn in manufactured Articles but for that?

To a certain Extent certainly so, but not entirely so, because our Demand was sudden and immediate.

2154. Then, according to that Theory, a bad Harvest in this Country must be beneficial to the Manufacturers?

So far as creating an increased Demand for Goods for Export I would not say but that it does, but of course it injures the Home Trade.

2155. Would that very large Importation of Food and other Articles have any Effect upon the Exchanges?

Naturally.

2156. What Effect would it have upon the Exchanges?

For instance, it would in America suddenly and unexpectedly throw a larger Amount of Bills than usual into the Exchange Market.

2157. What would that lead to?

Those Bills would of course have to be met and provided for; perhaps in part by a large Export of Goods from this Country to America.

2158. Does not your Experience lead you to conclude that in the first instance it would lead to the Export of Bullion from this Country?

To a certain Extent.

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2159. Did not it result in a very large Export of Bullion from this Country?
Certainly.

2160. During the Time that the Exchanges were against this Country, and that Bullion was flowing from it, what is the natural Course of Events to check that Operation?
The natural Course of Events would be, that when such an Amount of Gold had gone out that the Balance due to America was liquidated, it would be no longer profitable to send out Gold, and Shipments would cease.

2161. In an early Part of your Evidence you seemed to find fault with an Opinion which you said you heard expressed in the Spring of last Year, that the Prices of Articles were likely to fall under those Circumstances as between this Country and America. Do not you think that is a very natural Consequence of a great Fall of the Exchanges and a continued Exportation of the precious Metals?
A certain Fall was generally looked for.

2162. Did not you look for that Result yourself?
To a certain Point; but by no manner of means to the Extent that did take place.

2163. But that Export of the precious Metals must continue till the Condition of the Exchanges is corrected, and till further Exports took place of other Articles?
It is possible that if such Parties as Mr.———— had not found it more prudent to reland the Shipment of Specie alluded to in one of the Letters which I have read, and cease such Exports, a certain Amount more, perhaps One Million, might have rectified the Exchanges between the Two Countries, whereas the Interruption to such Export only increased our Indebtedness to America, and that still remained to be liquidated; much was liquidated by forced Sales of consigned Goods, and I fear that much was cancelled by the Failures here.

2164. Does not the Fall in the Prices of Articles under those Circumstances tend materially to correct that State of the Exchanges by inducing an Export of Goods?
No; indeed I almost think the very reverse. A sudden Fall induces Buyers to hold off to see to what Point that Fall may reach. Moreover the Causes of such Fall disarrange Credit here and so re-act abroad; Means are therefore circumscribed; and I believe that under the usual Course of Trade there is more Disposition to purchase, than under a serious and heavy Decline in Prices and an unnatural State of Trade.

2165. Why do you hold these Results unnatural when they are the natural Consequence?
I do not admit the Consequence; but I call them unnatural, being sudden and unexpected, and quite irrespective of Supply and Demand.

2166. When there is an adverse Exchange and an Export of Bullion, can that State of Things be corrected without a Fall of Prices, and an Increase of Exports in consequence of that Fall of Prices?
A certain Fall is natural enough and to be looked for; but I think that there is a Distinction between a Decline in Market Prices and a complete Disarrangement of Trade.

2167. The Question does not refer to October last, which was a Moment of Alarm and Panic, when the Exchanges were in favour of this Country, but to the previous Period, when you said there was an Opinion expressed that Prices were likely to fall, and when you said, that being surprised and discouraged by that, you threw up your Business. Now at that Period did not it appear that in the natural Course of Events Prices should fall in this Country in consequence of the State of the Exchanges and the Export of the precious Metals, and that that very Fall would be a necessary Part of the Process which was to correct the State of the Exchanges?
I cannot exactly admit all that. Suppose we require a very large Quantity of Food from America, we must be supplied immediately and at once; but we

cannot expect their Demand for our Goods to be as immediate and as large, therefore it is natural that our first Payments should be made in Bullion, but their Wants and Means would expand under our Payments, and our Bullion as it went out would fructify, and come back in the Shape of Orders; but until these Orders came forward in Quantity some Decline in Prices of Commodities and Goods would take place and tempt Buyers.

2168. What is it that induces People to export the precious Metals?
The Fact that there is a Profit in doing so.

2169. The Fact that it is more profitable to export them than to export other Articles?
Yes.

2170. Then is not it necessary that the Price of other Articles to be exported must fall to a lower Point, so as to make it more profitable to export them than to export the precious Metals, in order to induce People to purchase those Articles for Exportation?
Decidedly.

2171. Must not it depend also upon the Extent of Demand for those Articles in any Foreign Country, the Consumption of which cannot be expected suddenly to expand to meet a Change of that Description?
Just so. In the Instance I have just given I have stated that the Capabilities of Consumption in America would expand with the Means of Payment.

2172. Supposing this great Demand for Food to have come when the Bank of England had Fifteen Millions of Bullion in its Coffers, and that it had taken Five or Six Millions to pay for it, but that the Bank had let those Five or Six Millions go without decreasing the Circulation; might not the whole Case have been provided for without any Difficulty or any Injury to the general Interests of the Country?
Without any Doubt whatsoever.

2173. You stated that the Bank of England in the first instance had made a Distinction between Paper A 1 and Paper A 2, and that they had subsequently made a Distinction between London and Country Paper; do you think that either of those Distinctions is founded in Reason or in Justice?
I think that both such Distinctions were invidious and unjust. In the first instance, I cannot conceive why there should be any Distinction made between any Paper taken by the Bank unless it be on account of its Term. The Bank will only take such Paper as it considers good, and the Difference of Charge will not make doubtful Bills good Paper. The only Difference which I think that the Bank is justified in making is in giving to a House of large Means a greater Amount of Accommodation than to a House of smaller Means.

2174. More Accommodation, but not upon more favourable Terms?
Just so.

2175. Are those Distinctions Distinctions which have been drawn by the Bank of England, for the first Time, within the last Two Years, or are they Distinctions which have been constantly maintained by the Bank of England?
The first of these Distinctions, the Classification of Bills, was made almost immediately after the Establishment of the Branch Banks, and when that was done away with the other Distinction was adopted of charging a Rate of Discount higher than the London Rate.

2176. Are you prepared to limit the Discretion of the Bank with regard to the Classification of the different Qualities of Bills presented to it; and if so, how would you limit it?
I contend that if such Paper be worth taking at all the Difference in the Rate charged would not make it better.

2177. Is not that a Question for the Decision of the Bank itself?
Yes; but I think that the Public have an Interest in the Question also.

2178. Is it possible to decide such a Question by Legislation?
I hope not. I should be sorry to see any such Attempt. I think on such Matters the less Legislation the better.

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2179. Then why should it not be left to the Discretion of the Bank?
I mention it as one of the Evils of the System,—the Effect of their great Power.

2180. Other Bankers are led to follow the Course taken by the Bank of England?
Yes; but not to the same arbitrary Extent as the Bank of England.

2181. But the Act of 1844 has in no Degree affected that Part of the Question?
No.

2182. In the great Money Market of England is it not the Fact, and has not it always been so, that upon different Classes of Securities Money is obtained at different Rates of Interest?
Undoubtedly. But there is a wide Distinction between offering Paper in the great Money Market and a Discount Account at the Bank of England.

2183. Are you acquainted with the System of the State Banks in America?
Yes.

2184. In New York?
In New York.

2185. The Rate of Interest there varies frequently very much out of doors?
The Rate of Interest out of doors varies considerably.

2186. Do the Banks in New York ever vary their Rate of Interest?
They do; but they never exceed a certain Rate.

2187. What is that Rate?
Seven per Cent.

2188. That is the legal Rate of Interest in New York?
The Chartered Banks cannot charge beyond that.

2189. Six per Cent. in some of the States, and Seven per Cent. in New York?
Seven per Cent. is the Maximum in New York.

2190. Will you explain to the Committee the Principle upon which the Banks of New York are constituted?
In America there are different Systems, and almost every State has a System of its own. In some States the System adopted works very well; and speaking generally, I may say that Banking in America is now conducted upon sound and safe Principles. The Americans have paid for their Experience and profited by it; and so far as I have been able to compare different Systems of Banking, and to look into the Subject, I believe that in no Part of the World whatever is there a System of Banking more perfect than that now working under the General Banking Law of New York. It has now been in operation about Ten Years, and it is found to answer securely and profitably; that is, profitably to the Proprietary and usefully to the Public. The great Peculiarity of the General Banking Law is that it enables any Party or Parties desiring to form a Banking Association to do so, on complying with certain Provisions of the Law, the principal of which is the Deposit with the State Comptroller of an Amount of State Stock equal to the Amount the projected Banking Association intends to issue. These Issues, after Registration by the State Comptroller, are signed and numbered by the Officers of the Association; and no Banking Association can issue any Note or Obligation except it be received from and registered by the Comptroller, and except it be made payable on Demand. No Bank can therefore accept any Bill drawn on its Officers and payable at a future Period; and a strict Construction of this Law would prevent Endorsement by any Bank of any Bills of Exchange, except such as were drawn at Sight; but as it is, no Bank in New York re-discounts, a System too prevalent in England, and full of Evil. The Banks in New York, except in special Cases, allow no Interest on Balances and Deposits, but they make no Charge for keeping Accounts, making Payments, or collecting Bills. The Loans and Discounts of the Chartered Banks are limited to Twice and a Half the Amount of their Capital. The Banks under

under the general Law are not so limited, which it might be well to reconsider. No Bank in New York discounts what is called Accommodation Paper. A temporary Loan is occasionally made to a Party on his own Note, with an approved Endorser, but with the Condition that no Renewal shall be asked. Discounts on Business Paper are seldom given for a longer Period than Ninety Days, and always with the Condition of Non-renewal. The Banks of the State of New York, acting under the general Banking Law, make certain quarterly Returns, and have their Shareholders exonerated from personal Liability. With the Permission of the Committee I will put in this Copy of the General Banking Law of New York. (*Vide Appendix.*)

2191. The Issues being limited to the Government Stock deposited by them with the State Comptroller, that Stock so deposited, while it pays them an annual Dividend, lies there as a Security for their Circulation?

Yes.

2192. And in the event of their being unable to meet their Payments in Specie, is not it the Fact that the State Comptroller has the Power of selling that Stock so deposited with him for the Purpose of meeting their Engagements?

It is so; but in regard to the City of New York I know of no such Instance.

2193. But that is the Security?

That is the Security in default of Payment of their Issues in Specie.

2194. Are they left entirely uncontrolled with respect to the Amount of Bullion which they hold?

Entirely so; Self-interest being considered the best Control. There have been Periods, indeed one is scarcely over now, in which most severe Drains both internally and externally have occurred, and the Result has been satisfactory. Our large Export of Specie last Year to New York was mostly carried off by the Provision and Grain Dealers of the "Far West." To this was added a Drain for Mexico; and then succeeded the Export thence to this Country. But, with all these adverse Circumstances, each succeeding Advice represents the New York Money Market in an easier and healthier Condition.

2195. That Gold would not remain long with the People who took it?

The Americans have no Gold Mania.

2196. Does not some Difficulty arise from the Bank discounting at the legal Rate of Interest, which in New York is Seven per Cent., while the Interest out of doors is sometimes Twelve or Fifteen per Cent.?

The Quotations which we see as "out of doors," or, as it is there termed, "in the Street," are very much like the Quotations upon our Stock Exchange, when, if I recollect rightly, Seventy per Cent. was paid in October last. Quotations in Wall Street are much of the same Nature.

2197. Has not a Rate of Interest of One and a Half per Cent. per Month been common in New York?

Certainly not common. In the early Part of 1847 Money was abundant there at Six per Cent.; it advanced in Value as our Pressure increased; and the numerous Failures on this Side sent a large Amount of dishonoured Paper back. But any Paper for which Eighteen per Cent. was paid was such as could not be discounted in Bank either for Length of Term or some other Disadvantage.

2198. You have pointed out what you believe to be the Evils arising out of the present Constitution of the Bank Act of 1844. Will you state what Remedies you would suggest for the Removal of those Evils?

I believe that the Evils under which we suffer go much deeper than the Bank Charter Act of 1844. I think that our whole System of Banking is upon such erroneous Principles that no Expedient can be productive of Good, and I contend for an utter Change in our System. For a particular Remedy or Substitute I would suggest the New York Banking Law, as the most complete System I have ever had an Opportunity of examining.

2199. Would you say that there should be a Number of Banks of Issue, or that the Bank of England should regulate the whole Circulation?

I am opposed to all Monopoly in Banking, and equally so to any Control beyond that of Self-interest. A certain Responsibility there must be.

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2200. Would you limit the Bank or Banks to the legal Interest in their Discounts?

No. The Banks should be free to charge what their Interest would dictate and the Public would pay.

2201. You would leave them as they are at present, with the Power of running up the Interest to Eight or Ten per Cent. in Cases of Difficulty?

Certainly, if Money was worth Eight or Ten per Cent.; but I believe that under the System I have recommended such extreme Rates would not be reached.

2202. It is not under that System that Money does rise in America to Eighteen per Cent.?

Money has been at that Rate, but I have stated under what peculiar Circumstances.

2203. You have not stated that the current Rate of Interest in America was Eighteen per Cent., but you stated that there was Eighteen per Cent. charged upon a certain Description of Paper, which was not properly discountable at all?

Which was not discountable in Bank.

2204. You recommend as an Object for Imitation the State of New York Banks. The York Banks are limited to discount at the legal Rate of Interest, but you stated that you do not think that a Limitation should be put to the Rate of Interest to be charged by the Bank in England, but that they should take as much Interest as they can; in that respect, therefore, your Recommendation would differ from the New York Banking System?

In that respect I think that the New York System is capable of Improvement.

2205. At the Time when there was this extraordinary Rate of Interest you spoke of upon Paper not coming within the Rules of the Banks, upon which Eighteen per Cent. was paid, can you say what the ordinary Rate of Interest was?

About Seven per Cent.

2206. Is not it consistent with your Knowledge that the Interest in America is very frequently up at Ten or Twelve per Cent.

Frequently; especially in the extreme South, when Money is advanced against coming Crops. But in all new Countries the Value of Money is high.

2207. Is not the Rate of Interest in New York, compared with the Interest in this Country, apt to be very high?

We might so call it, and it is high comparatively; but in New York there is greater Employment for Money.

2208. Is there a legal Limitation of Interest in the United States?

There is in most of the States; in New York it is Seven per Cent. for the Chartered Banks.

2209. The Limitation only applies to the Chartered Banks?

I believe it to be the legal Rate.

2210. You say that commercial Capitalists and Speculators in the course of last Year lost a vast Amount of their Capital; have you any Idea what Proportion of that Amount of Capital lost may have been sunk in losing Railway Speculations, either in unprofitable Railways or in Shares which were afterwards sacrificed at a Loss?

Such Losses were not included in the estimated Losses I alluded to.

2211. You mean in regular Trade?

Just so.

2212. Do you not think there was a considerable Amount of Capital lost in Liverpool and in the manufacturing Districts in consequence of the Depreciation of Railway Property in the course of last Year?

A very large Amount from the depreciated Value of Railway Property.

The Witness is directed to withdraw.

Ordered, That this Committee be adjourned to Monday next, Two o'Clock.

Die Lunæ, 13° *Martii* 1848.

The LORD PRESIDENT in the Chair.

Evidence on the Commercial Distress.

W. Brown, Esq., M.P.

13th March 1848.

WILLIAM BROWN, Esquire, M.P., attending, is examined as follows:

2213. You have been a long Time connected with Business in Lancashire?
I have.

2214. Chiefly at Liverpool?
Nearly altogether.

2215. For how many Years does your Experience extend?
Thirty-seven Years, since I was established at Liverpool.

2216. Will you be so good as to describe generally the Line of Business with which you have been connected?
At an early Period of Life, when I was Sixteen, I went into a Counting-house in the United States under my Father, where I spent Nine Years, and became a Partner in the House; I then came to England, where my principal Pursuits were connected with the United States. In Progress of Time my Business branched out into not only the receiving of Produce for Sale in Liverpool, but also the Shipment of Goods to the United States, and lodging Credits for other Establishments all over the World, facilitating the Operations of others, aiding them by our Credit and by our Capital to carry their Operations into effect.

2217. Will you be so good as to state to the Committee whether you have been enabled to form any Opinion as to the Causes of the commercial Distress which was experienced in this Country in the early Part of last Year, and subsequently in the Autumn, and particularly as it affected the Town of Liverpool and the Commerce of Lancashire?
I have fancied that the Bank of England has been one of the Causes of our present Distress, by carrying on Business without a sufficient available Capital; I think that is the primary Cause; for when we consider that Eleven Millions of their Capital are lent to the Government at Three per Cent, that Three Millions are locked up and made unavailable in the Bank of Issue, that in addition to that there is probably Seven or Eight Millions of dead Weight which they hold and for which they get an annual 580,000 *l.* a Year, or about that, from the Government, and their Buildings, and the Amount they hold on Mortgages, I think those various Circumstances have prevented them, in Times of great commercial Distress, from extending that Relief to the Public which they otherwise probably might have had it in their Power to afford, and that the Bank Act of 1844 has added to the Difficulty.

2218. You think that the Bank Act of 1844 has restricted still more the Amount of Capital which was before too much restricted?
Yes. I should add to that, that independently of those Sums which I consider unavailable they have held from Time to Time a large Amount of other inconvertible Securities which could not be made available in Time of Exigency without enormous Sacrifices to the Bank. I doubt much whether in October at one Time a sufficient Amount of those could have been realized at all.

2219. What do you allude to as amongst the unavailable Securities?
The dead-weight Securities, in part Exchequer Bills and in part any Stocks they might hold. I do not know the Description of Stocks they held. I believe they held very little Three per Cents., but in the Returns I see Ten Millions

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of other Securities, and I take it for granted that they are Government Securities of some Kind.

2220. You are aware that they hold Railway Debenture Securities?
I am not aware to what Extent they hold them.

2221. It appears that the Bank purchased them to the Amount of 2,400,000*l.* Would you include Railway Debentures among the Securities that were not immediately available in a Time of Exigency such as you have described?
Not immediately, without a very great Sacrifice.

2222. If those Securities which you have described, including Public Stocks and Exchequer Bills and the other Securities to which you have last referred, are not immediately available at such a Time, what Securities would you substitute for them that would be more available under such Circumstances?
My Impression is certainly that the Government should pay off to the Bank Part of the Loan, or that the Capital of the Bank should be increased by its Proprietors, and that they should at all Times have a larger Amount of Specie in their Vaults to meet a Contingency. I am quite aware that to keep a large Amount of Specie in their Vaults would be a Loss to the Proprietors, but I think it is so much a national Object to place the Bank upon a Ground of the greatest possible Security and Safety, that the Loss of Interest that might accrue might be made good by the Government, and that it would be a comparatively trifling Consideration compared with the Loss which we sustain in such a Crisis as we have gone through.

2223. When you speak of the Specie in their Vaults do you mean the Reserve in their Banking Department?
I speak of the whole Specie held by the Discount Department, assuming that the Specie in the Bank of Issue is also properly available for them. I am disposed to think that the Act of 1844 is a very great Evil.

2224. In the Statement which you have given of your Opinion, you referred to the former Condition of the Bank before the passing of the Act of 1844?
It appears to me that if the whole of the Specie in the Bank of Issue were available for the Bank of Discount it would place them in nearly the same Position that they were in before the Act of 1844.

2225. But your Suggestion would, in your Judgment, place them, not in the Position in which they were before the Act of 1844, but in a Position which you think would be more wholesome and safer?
Yes.

2226. The Difference being merely that a Portion of the Government Debt should be repaid and that certain unavailable Securities should be got rid of?
Yes.

2227. Is there any other Point upon which you would recommend a Difference to be made in the Constitution of the Bank, as compared with its Condition before the passing of the Act of 1844?
I do not think that it is possible to govern any Merchant's Counting-house or any great monetary Institution, such as the Bank of England, by any rigid Rule. You must place Confidence somewhere. You must allow the Parties managing the Institution to have a discretionary Power. Sometimes you have an Influx of Money, sometimes an Efflux, sometimes a bad Harvest, and sometimes a good one, sometimes Foreign Loans, sometimes commercial Difficulties. Commercial Difficulties will arise which will make it impossible to govern the Proceedings of the Bank by such a Rule as the Bank Act of 1844.

2228. Then you would leave an Institution like the Bank at liberty not only to manage its own Banking Concerns at its own Discretion, but to regulate also the Currency of the Country at its own Discretion?
Yes. I should leave it very much to their own Discretion; but I would not place the Bank in that Position that they should have only their own Interest to consult. I would make them to some Extent the Conservators of Public Credit. I would allow the Government to have some Choice in putting a Veto upon the Chairman and Deputy Chairman; and I would have those Gentlemen possess ample Powers, and act under a clear Understanding that they were to consult the Public Good.

2229. You

2229. You would not be disposed to leave the extensive Discretion which you have described in the Hands of the Bank under its present Constitution?

It is extremely difficult to fix any System of Management for so great an Institution which will be perfectly satisfactory. Although I have thrown out the Suggestion of a Veto upon the Governor and Deputy Governor, there may be other Plans that might be better fitted to meet the Intentions that I wish to carry out?

2230. You were understood to say that you think there should be always, with an increased available Capital, a larger Amount of Bullion in the Bank?

Unquestionably.

2231. How do you propose to insure an increased Amount of Bullion being constantly in the Reserve of the Bank?

I think the Bank have that very much in their Power by a discreet Management of their Affairs, by discounting Paper not at too long a Date, which I think would have a great Tendency to keep their Vaults full of Money. It is a very difficult Thing to know how it acts, or to describe how it operates; but I know that when a Merchant has large available Funds he is very seldom at a loss to meet the Contingencies of the Times.

2232. You have stated that you would require that the Bank should retain a larger Proportion of Specie in its Vaults. You are aware that that would be a Loss to its Proprietors?

Quite so.

2233. Is there any Regulation by which you could insure on the Part of the Bank the taking a Course which would not entail that Loss upon its Proprietors?

I know of no Mode of doing it, unless the Government would bear the Loss as a national Affair. I think that the Loss to the Country would be much less upon the whole if large Reserves were retained to meet Contingencies.

2234. In what Manner do you think that the Nation should be at the Expense of that Loss?

I think it would be hard upon the Proprietors to compel them to sacrifice their own Interest for the public Good; and that if the Bank is to be a general Benefit to the Nation, and a Conservator of public Credit, that should be done at the Expense of the Community at large. The Government might remunerate them by allowing them a larger Sum for the Management of its Affairs, or in some other Way.

2235. In what Way would you propose that the State should give Compensation to the Bank for the Loss of Interest they would sustain by keeping an additional Amount of Specie?

They might allow the Bank a larger Sum for the Management of the Public Accounts.

2236. If that were done, it would be necessary to secure on the Part of the Bank the Fulfilment of its Part of the Contract by retaining a larger Amount of Specie. How would you secure that?

It is extremely difficult to know how it would work and how it would act; but as it operates under the present Acts we never shall be in a State of Safety.

2237. Do you mean that the Officers you propose should be appointed by the Government and should be entirely independent of the Bank?

I do not know how it would be best to regulate those Officers. I do think the Government should have a controlling Power and Veto upon those Officers, and that they should see that proper Men were appointed, who would look not only to the Interests of the Stockholders but to the Interests of the Public at large; and that it should be their Duty to take care that their Vaults were well supplied with Money at all Times, except under such an Emergency as we have recently had, and then they might let it run down very low to relieve the Country from the Distress under which it would otherwise suffer.

2238. You mean that those Officers should be selected by the Proprietors or by the Directors of the Bank, and that then the Concurrence of the Government should be required in their Nomination?

Yes. I think that probably would be the best Plan that could be adopted.

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But there are so many Plans that might be suggested to place the Bank of England in such a Position that it would be a Conservator of public Credit, that I am not at all prepared to suggest what the best Plan of doing it would be.

2239. Do you think there would be any Mode whatever, except by an Act of Parliament, of ensuring the proper Conduct of the Bank in that respect to which you have alluded, namely, the keeping a certain Proportion or Quantity of their Reserve in convertible Securities?

I should think a judicious Selection of the Governor and Direction would answer that Purpose.

2240. Supposing those Directors were removable at Will, the Removal of One or more Directors would not ensure a different Line of Conduct on the Part of the Directors who would succeed?

I think the Directors in that Case would probably have very little to say, but that the great Operations would rest upon the Chairman and Deputy Chairman and the Cashier. If those Three Officers were Men well selected, with a large discretionary Power, that would probably be the best Security that you could have. I am quite aware that it is impossible to get all the Securities you wish; and it is equally difficult to replenish the Vaults of the Bank at certain Times with all the Gold you may wish; but I believe the best Security for the Country is to leave a large discretionary Power with Men of Intelligence, who would feel that they had a responsible Duty to perform.

2241. But supposing the Executive Government of the Country, the Queen's Ministers, and the Gentlemen who were in the Direction of the Bank, had a different View as to what were proper Securities, how would you resolve the Difference between them?

You could not resolve the Difference.

2242. You are probably aware that the Bank of England discounted very largely early last Spring, in the Month of March?

I am.

2243. And you are aware that their Discounts were suddenly restricted in the Month of April?

Yes.

2244. Might it not have been possible that the Ministers of the Crown might have thought that that Restriction of Discounts ought to have commenced Two Months earlier, while the Directors of the Bank were of a different Opinion?

It is very probable. If it had commenced Two Months earlier it would have saved a great deal of Difficulty to the Country.

2245. Can you suggest any Plan, except by an Act of Parliament, by which the Directors of the Bank of England could be controlled in the Management of their Discounts, so as not to let them exceed a certain Proportion to their Reserve?

I cannot; and yet it is dangerous to control them by an Act of Parliament.

2246. You have referred to the present System of the Management of the Bank of England, and suggested Alterations for its better Government. Do you consider the quick Rotation of Governors to be objectionable, as depriving the Bank of Continuity and Stedfastness of Principle?

I do.

2247. In the Conduct of your own great mercantile Transactions, what do you conceive would be the Effect of managing them by successive Officers, appointed for Two Years a-piece?

It could not be done at all; it would be perfectly impossible.

2248. Do you think that the same System that would be inapplicable to your own Concerns is prejudicial to the Concerns of the Bank of England?

Certainly.

2249. You have suggested some joint Action between the Government and the Bank of England in the Selection of the Governor and Deputy Governor. Do you wish it to be inferred from that, that after the Governor and Deputy Governor

Governor had been so appointed, the Government should exercise any Influence whatever in the Transactions of the Bank?

From the constant Communication which goes on between the Bank and the Chancellor of the Exchequer, the Government must necessarily, without its being done by Act of Parliament, have great Influence with the Bank. Of course it must depend upon the Discretion of Parties, judging of coming Events, how they are to act. No doubt the Chancellor of the Exchequer for the Time being would confer with the Governor and Deputy Governor, and they would judge what was best to be done. I do not mean to say that the Chancellor of the Exchequer could control them further than by Suggestions and Opinions. He is always deeply interested in preventing Panics.

2250. But do you consider that if the Bank Direction were constituted as you have suggested, namely, that the Power were vested in Persons more judiciously appointed, and their Tenure of Office were made more permanent than it now is, it would be better to trust to their Prudence and Discretion than to look to any Action, ab extra, on the Part of the Government over their Proceedings?

I would leave them solely to their own Management, without any Control, further than conferring and advising with the Chancellor of the Exchequer to know his Opinion.

2251. By such Confidence, do you mean merely with a view to receiving Suggestions or Advice, or do you mean that the Government should exercise any Control over their Proceedings?

Merely in the Shape of Advice and Suggestion, but no absolute Power of Control.

2252. Has it ever occurred to you that it would be expedient to require the Bank of England to lay before Parliament annual Reports of their Proceedings, and of the commercial Transactions that have taken place within the Walls of the Bank?

That has been a Matter of considerable Discussion, and I have some Doubts of the Advantages arising from it.

2253. Take the Case which you have alluded to, namely, the State of Things anterior to April 1847, when in your Judgment the Bank might, by having taken earlier the Course of restricting Discounts, have diminished if not averted the Pressure which afterwards took place. Supposing an annual Report had been required at the Hands of the Bank of England, do not you think that they would have found it extremely difficult to justify that Course of Proceeding on their Part which you have objected to?

It might, and would probably have that Effect. But there is another Evil arising from the Publication. It is now necessary, as the Law stands, that they should explain exactly what Specie they have in their Vaults. Their Specie might be allowed to run very low, if they were not obliged to publish it, without exciting any Consternation or Alarm; but the Knowledge of it does excite Consternation and Alarm; therefore the Advantages arising from Publicity on the one hand might be counteracted by Evils resulting from Publicity on the other.

2254. Do not you think that if in their annual Report the Bank were called upon to explain and to justify the Course which they had taken, to account for their Alterations in their Rates of Discount, and in their Rules with respect to the Advance of Money upon Securities, they would be more cautious in taking any Steps which they could not justify in their annual Report?

It would have that Effect, certainly; but I doubt whether the Evils on the other Side would not counteract the Benefits of it in some Measure.

2255. Do you think that the present Publication of the State of the Reserve has any beneficial Effect?

I do not think it has; it probably does as much Harm as Good.

2256. Do you think that the Publication of the Accounts, which in the Month of April showed a very small Reserve, had the Effect of creating or of aggravating the Pressure and Panic which then took place?

I do not think that it had much Effect till other Matters arising from the

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large Exportation of Money to buy Food, and from the great Demand for Railways, raised the Interest. Then, the Moment that the Public began to recollect that there was no Elasticity in the Bank of Discount, the Alarm became general.

2257. Was not that Apprehension of the Want of Elasticity on the Part of the Bank of Discount immediately connected with the Publication of the small Amount of Reserve which the Bank of Discount then had at its Disposal?

Certainly.

2258. Is it your Opinion that the Provision of the Act of 1844, which separated entirely the Bank of Issue from the Bank of Discount, was a judicious or an injudicious Arrangement?

I think it was exceedingly mischievous.

2259. In what Way?

It was a dead Letter till Money become scarce, and then it was found that there was no Power to enable the Bank of Discount to draw One Sovereign from the Bank of Issue without cancelling an equivalent Amount of Notes, without violating the Act of Parliament; and it was understood that it was the Intention that the Act of Parliament should not be violated, and that it had been so laid down in the Discussions which took place when the Act was passed, and that consequently a Clause was rejected to prevent that Relaxation. Then the Public became very much alarmed when Money became scarce, and we all commenced hoarding and arming ourselves against Contingencies.

2260. Is it your Opinion that the Discount Department of the Bank of England ought to have the full Power of applying the whole of its available Assets without any Restriction upon their Discretion?

Certainly.

2261. Supposing the Management of the Bank to be such as you would approve of, upon what Principle do you think they ought to regulate the Proportion between the Bullion which they might have in hand and the Amount of their Liabilities?

That is a very difficult Question to answer; it must be regulated by the Discretion of the Parties having the Management; for as in a Merchant's Counting-house we are obliged to change our Conduct every Day in the Management of our Affairs to meet coming Events, so I think the Bank Directors should be placed in the same Position to enable them to meet coming Events.

2262. You were understood to say that you thought the total Amount of Bullion kept in the Vaults of the Bank was smaller than it ought to have been?

I think so.

2263. Smaller than it ought to have been with reference to what?

To the increased Trade of the Country. When the Bank Act of 1819 was passed, the Reserve of Bullion which at that Time might be thought sufficient to meet the Wants of that Day was probably adequate; but now, when you consider the Extent to which the Commerce of the Country has increased, I think the available Capital in the Hands of the Bank is too small to meet the possible Contingencies and Demands that may arise, either to meet internal Drains, no matter from what Cause they arise, or external Demands. Last Autumn, notwithstanding that there was no political Excitement in the Country, and notwithstanding that Bank Notes were considered quite as good as Specie, I believe that Three or Four Millions of Specie were hoarded, and a large Amount of Notes withdrawn from the commercial Purposes of the Country, from the commercial Panic that existed. Now, if there had been larger available Means, even in Bank Notes, in the Hands of the Bank it would not have been necessary on their Part to have curtailed their Accommodation to the Public so suddenly. Those sudden Contractions ruin many People. They have not Time to get their Affairs into a small Compass, so as to meet such a sudden Contraction as the Bank were obliged to adopt.

2264. When you say that People hoarded, what did they hoard, their Bank Notes or their Specie?

Both. The Bank of Liverpool, who ordinarily locked up with Thirty or Forty thousand Pounds at Night, and considered that sufficient, because they knew

knew that they could always go either into the Money Market or to the Bank of England and get a Supply, if necessary, during the Crises, not knowing what Bills might be returned upon them, they deemed it necessary to reduce the Accommodation to their Customers, and to hold about 250,000 *l.* or 260,000 *l.*, either in their Vaults or at call to meet unexpected Demands.

2265. In those Circumstances, are you of opinion that the Restriction which prevented the Bank of England from issuing a larger Amount of Notes in proportion to the Bullion lying in their Coffers operated injuriously to increase the Panic?

No doubt of it.

2266. Are you of opinion that if at that Time the Bank of England had possessed the Power of issuing a larger Amount of Notes they might have done so without endangering the Convertibility of the Note?

I think they might, so long as there was perfect Quiet in the Country, and so long as Bank Notes were considered as valuable as Gold; but the Case would not be so if we had a political Panic.

2267. Then you consider that the Effect produced by a commercial Panic is entirely different from that produced by a political Panic?

Quite so.

2268. And that in a State of commercial Panic the Bank might safely increase to any Amount the Issue of its Notes that might be necessary to meet the Demand?

I do not say "to any Amount."

2269. What Restriction would you put upon the Amount?

I think raising the Interest of Money, but not too suddenly, would produce a Restriction. If they were in the habit of discounting at Four per Cent., I would raise it this Month to Five, and, if I found that still there was Pressure, I would raise it next Month to Six. By increasing the Price of the Article, you necessarily decrease the Demand for it, and that would bring Things into a proper Train by a natural Operation without any violent Effect.

2270. Was not that the Course that the Bank pursued last Year, with the Exception, according to your View of the Matter, that they made those Changes too suddenly?

Yes; the sudden Change is the great Difficulty. After April they lowered their Interest considerably, and I know from the Nature of my Correspondence that my American Friends complained exceedingly of the versatile Conduct of the Bank, which had induced them to enter into Operations which they otherwise would not have done; but they looked at the Rate of Interest charged by the Bank as the Barometer of Public Opinion as to the Stability of mercantile Affairs in this Country.

2271. Do Merchants in this Country look at the Bank's Rate of Interest very much?

Very much indeed.

2272. They are guided in their Transactions by it?

Very much.

2273. You stated in an early part of your Evidence that you thought that the Bank of England ought to retain habitually a larger Amount of Bullion in proportion to its Liabilities; but you have stated just now that you think that under recent Circumstances, though with a small Supply of Bullion, the Bank might safely, without Fear of Discredit, have issued a still larger Amount of Notes, thereby adding to the Disproportion between their Liabilities and their Bullion; are not those Two Principles contradictory to each other?

Not as I understand them. I will enter into an Explanation. If it was a Panic arising from political Causes, then Specie would be necessary. If it was a Panic wholly arising from commercial Causes, then the Bank might have ventured to issue upon the same Basis of Specie more Notes than it has done. And not only that, but when it raised the Rate of Interest, it might have discounted freely before the Letter of the 25th of October was issued, because the Money was not then withdrawn from the Bank to go into new Operations but to pay running Engagements, so that the Notes that went out at one Door would come in at the other.

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2274. You mean to say that whenever the Pressure is not of a political Character the Bank ought to be at liberty to increase its Issues?
I think it might with Safety do so on many Occasions.

2275. Do you think that when the Exchanges are adverse to this Country it is prudent for the Bank to increase its Issues?
I think it might sometimes.

2276. Notwithstanding an adverse Exchange?
Yes. It is exceedingly difficult to lay down any fixed Rule. It is necessary to consider the Situation of various Countries in Europe, and the Situation of various Markets in the World. Bankers, like Merchants, must be governed by all those Circumstances, and take them into their Calculation. To say that they might do it upon all Occasions would be wrong; to say that they might do it upon some Occasions would be right.

2277. What is the invariable Consequence of an adverse Exchange, meaning by "an adverse Exchange" an Exchange during which the Export of the precious Metals to Foreign Countries would be profitable?
I think probably there are Circumstances under which the Exportation of Gold might take place, and an increased Issue of Notes at the same Time. On the other hand, there are Occasions when an Export of Gold might take place, and when it would be desirable to decrease the Circulation of Notes. It is impossible to govern it except by the Judgment of Parties having the Management of the Bank Affairs.

2278. You would admit that if during such a State of the Exchanges as you have described there were an increased Issue of Bank Note Currency, it would lead to an additional Export of the precious Metals?
No, I do not think that follows. I think the Wants of the Country might require an increased Issue of Paper, even with an adverse Exchange, without leading to more Specie leaving the Country than otherwise would leave it.

2279. Do you think that a Contraction of the Currency has the Effect of correcting an adverse Exchange?
Certainly it has, sometimes, but not always.

2280. Do you think that the Currency might be contracted during an adverse Exchange, without its having any effect is discouraging the Export of the precious Metals?
No doubt it occasionally would have that Effect, but I think not always.

2281. Can you describe the Circumstances in which it would not so act?
If the Markets abroad had been very unfavourable, and the mercantile Operations of the Country were decreased, fewer Bank Notes would be wanted. They would not be called for. So that a Decrease might take place in the Issue of Notes, and at the same Time an Export of Gold be going on, without the one materially affecting the other.

2282. Are there not Two Causes which may produce an adverse Exchange; the one a Depreciation of the Home Currency, which would make it profitable to export the Metallic Portion of the Currency, the other a Balance of Payment abroad, arising from some unexpected Cause which has altered the Balance between the Two Countries in question?
Yes.

2283. Then assuming that to be the Case, we will deal first with the Case of a depreciated Currency. Supposing the Currency depreciated in England as compared with the Continent of Europe and America, is there any Remedy that can be suggested for an adverse Exchange under those Circumstances except lessening the Amount of the Paper Currency in the Country where it is depreciated?
I question very much the Possibility of depreciating a Currency that is always convertible. I do not think it is possible.

2284. Meaning by "Currency" Bank Notes?
Yes.

2285. Even without a Correction of the Exchanges?
Yes.

2286. Even supposing a Correction of the Exchanges not to be effected, still you think it would be impossible to depreciate the Paper Currency by over Issue?

I can readily conceive that the Currency may be depreciated by an imprudent Banker lending to every Person that came to borrow Money. But if he issues entirely upon Business Transactions, and at short Dates, I do not think it is possible to depreciate the Currency if it is always payable on Demand, i.e., convertible into Specie.

2287. If the Currency of any one Country is of less Value than the Currency of another Country, it may be certainly depreciated, may it not?

Certainly, if it is of less Value.

2288. How could the Value of that Currency be brought to a proper Level in comparison with the Currency of other Countries without the Transmission of a Portion of that Currency from one Country to another?

I understand the Question to proceed upon the Supposition that the Currency which is under an adverse Exchange exporting Gold is the Currency which is depreciated. I do not think that the Currency can be depreciated provided it is issued upon bonâ fide Transactions, and convertible, unless by great Imprudence on the Part of the Bank. But I readily admit that if Paper is made as the French Assignâts were made, or the Prussian Roubles, or the continental Paper Money of America, that Money is depreciated.

2289. But it cannot be depreciated so long as a Man can get for it that which it represents and promises to pay.

No.

2290. Are you not confounding Two distinct Things? The one is the Depreciation of the Note as compared with the Gold which it represents; the other is the Depreciation of the entire Currency of the Country. If the Currency of the Country is in excess as compared with the Currency of other Countries at any given Time, must not the Currency be depreciated?

If I rightly understand the Question, it is this, Whether if the Currency of one Country is depreciated it will produce an adverse Exchange and an Export of Gold? No doubt it will, until the Balance is satisfied.

2291. Is not this the Reason why the precious Metals are sent from one Country to another, that the precious Metals are cheaper to export to that Country than other Articles?

They are the most convenient of all Commodities to equalize the Exchanges.

2292. If they are cheaper than other Commodities for the Purpose of Exportation may it not be fairly said that they are depreciated in comparison with the Currency of the other Country to which they are sent?

I cannot agree that they are depreciated.

2293. Are you aware of any considerable Export of Gold from the Port of Liverpool to America in the course of last Year?

I believe for many Years we have been the largest Exporters and the largest Importers of Gold from and into Liverpool.

2294. Will you have the goodness to explain to the Committee under what Circumstances and to what Extent you consider that the Export of the precious Metals took place to America in 1847 from Liverpool, and at what Time the Fluctuation occurred?

I am hardly able to state the particular Periods, but I know that through 1847 we were exporting Gold more or less by the Packets. When the Exchanges in America got down to Six per Cent. it was our Interest to export Gold; when they rose to Ten per Cent. it was our Interest to bring it back.

2295. You were considerable Exporters of Gold yourselves during the whole of that Period?

Yes.

2296. Do you remember any Case in which you had a considerable Shipment of Gold actually made, and when the Opinions of your House altered and the Gold was relanded?

Yes. It was not in consequence of the Exchange at the Moment making it

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an unfavourable Operation, but from the Panic and Alarm that occurred in this Country, and from the Necessity which we considered ourselves under of being armed for all Events that might possibly occur, and this Gold was held here as a Reserve in order that we might be enabled to retire any Bills which might be returned upon us protested, and to meet our own Engagements without asking for Discounts.

2297. Was that Alteration of Opinion in your Mind produced by any Alteration contemporaneously made or previously made by the Bank of England in its Rate of Discounts or its Rules of commercial Accommodation?

The sudden Contraction by the Bank of England and the sudden Rise of Interest about that Period certainly had great Influence in inducing us to reland the Gold.

2298. Was the Tendency of that Rise of Interest on the Part of the Bank of England to make that Specie more profitable here than if their previous Rate had been adhered to?

No. I should say that it made it appear to us at the Time less profitable, because we could not employ it so well; we merely kept it as a Matter of Prudence and Precaution?

2299. Then it had the Effect of inducing you to so far strengthen your Reserves as to retain Gold which you would otherwise have exported?

Certainly.

2300. What was the Cause which led to the adverse Exchange with America at that Time?

We were importing largely from America Provisions to supply the Wants of the People. Bills were plentiful, and being plentiful they fell to Six per Cent. Then it became our Interest to send Gold out, from the Rise of Interest on the Part of the Bank of England. They sympathised so much with us in the United States (for we cannot make a Movement in Money Matters but they almost always respond to it), that it raised the Value of Money so much that it decreased mercantile Operations, with our decreased Import of Bread Stuffs, and made Bills less plentiful, so that they rose to Ten and Eleven per Cent.; and then it became necessary to perform a different Operation, and to bring the Gold this Way instead of sending it out.

2301. Had the Rise of Interest which took place at that Period any considerable Effect in checking the manufacturing Production of Lancashire?

It so far checked it that it diminished the Export of Goods. We act chiefly as Bankers. We are not the Owners of the Goods. The Nature of the Operation probably the Committee will best understand if I explain it. Mr. A. in the United States goes to my Brother, my Partner in America, and states that he wants to import 1,000*l.* or 2,000*l.* Value of Goods. They look into the Credit of the House, and if they are satisfied a Credit is opened with us. The Order goes to the manufacturing Districts, to some Individual who is authorized by us, when the Goods are ready, to draw upon us for the Amount of this Credit. When we found that the Rate of Interest was considerably increased, we thought we saw a Storm approaching, and we immediately wrote to our Friends not to grant new Credits to any Extent, and to endeavour to reduce those granted to our Friends as much as they could with Propriety. We at the same Time applied to some of those Parties who held Credits upon us in this Country, and wished them to use as small an Amount as possible. We thought that a Crisis was approaching, and that every prudent House would wish to take in Sail, and to put themselves in a State of Security as far as was practicable.

2302. Had the high Rate of Interest which occurred last Year any perceptible Effect in your Judgment in diminishing the manufacturing Production of Lancashire?

No doubt of it.

2303. Have you known any Cases in which Orders have been sent from the United States which were not executed, in consequence of the high Rate at which Accommodation was to be paid for?

Yes?

2304. Were those Cases numerous?

We had several Applications from Parties who had Credits upon ourselves and others, who stated that they were not able to execute their Orders, in consequence of not being able to make their Bills convertible.

2305. Are those Effects more or less felt in proportion as the Fluctuations in the Rate of Interest are greater and more sudden and unexpected?

Certainly; the more sudden they are the more dangerous they are.

2306. In the whole Course of your long Experience have you ever known such sudden Fluctuations in the Rate of Interest, and such a wide Scope of Fluctuation between the highest and the lowest Rate as in the Year 1847?

Never. I have here a Paper containing the Rates of Interest in London down to a late Period.

2307. From what Source is it derived?

Mr. Gurney sent it to me.

2308. Will you give the Fluctuations, the highest and the lowest Rates in the Years 1837 and 1839, Two Years of extreme Pressure, and in the Year 1847, which was the latest Year of Pressure?

In 1837 the lowest Rate of Interest was Three and a Quarter per Cent., and the highest Rate of Interest was Five and a Half per Cent., the Difference being Two and a Quarter per Cent. In 1839 the lowest Rate of Interest was Three and Three Quarters per Cent, and the highest Rate of Interest was Six and a Half per Cent., a Difference of Two and Three Quarters per Cent. In 1847 the lowest Rate of Interest was Three and a Quarter per Cent., and the highest was Ten per Cent., showing a Difference of Six and Three Quarters per Cent. But I should add to that, that this does not give an accurate View of what the Interest of Money was in 1847, because Persons frequently paid a Commission in addition to this which made it amount to Ten, Twenty, or Thirty per Cent., depending upon the Length of Time that the Bill had to run, and the Pressure for Money at the Moment.

2309. Was there no Commission charged in 1837 and 1839?

I think there was, but by no means to the same Extent.

2310. Will you state to what Circumstances you attribute the greater Variations in the Rate of Interest in the Year 1847 as compared with those in 1837 and 1839?

I think the principal Cause of the Difficulty in 1847 was the Famine, which caused a very large Export of Gold to buy Provisions for the Country. Added to that, there was an increasing and increased Demand for Railway Expenditure, which had been going on some Time before, but not felt except when it came at the same Time that the Famine and Pressure came. Then again there was the restrictive Bank Act of 1844, which I think added very much to the commercial Difficulties at the Time.

2311. In what Way do you conceive that the Act of 1844 aggravated the Variations in the Rate of Interest of Money?

By the high Rate of Interest charged in the London Money Market, and from the Bank of Discount not being able to draw any Specie from the Bank of Issue without cancelling the same Amount of Notes, this Money might as well have been thrown into the Sea from any Use that it was of at the Time, there being no Power to employ any of it without violating the Act of Parliament. It created great Alarm; and we were all guarding ourselves, and not extending to Commerce the usual Facilities.

2312. So that in fact the Bank of England, when they came to the lowest Point, were within about a Million of being brought to a Stoppage of Payment, although, if there had been no Act of 1844, and they had been left merely to consider the Amount of their Bullion, they would have had, according to the Returns, Eight Millions and a Half Margin before any Danger could arise to them?

My Impression is, that if Two or Three Millions had been handed over from the Bank of Issue to the Bank of Discount, they would have been able, aided by the Rise of Interest that took place, to meet all the Requirements of the Country, and that the Panic would have been very much decreased indeed.

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2313. Then the Tendency of that Act was to create an artificial Scarcity when there was no real one?

Certainly.

2314. If the Bank had been left without the Act of 1844, under its previous Constitution and Management, do you feel confident that in October last it would have been in possession of Eight Millions of Bullion?

It is difficult to say what might have occurred; but I believe they would have had sufficient to prevent the extreme Panic that took place, because by the Act of 1844 they were placed in a different Situation, they had to look to the Interest of their Proprietors only; they were not considered as the Conservators of the Public Credit; but before 1844 there had been a double Obligation upon them. They felt that it was their Duty to sustain the Credit of the Country to a much greater Extent under the Act of 1819 than under the Act of 1844.

2315. Looking at the Manner in which the Bank acted upon previous Occasions, is it the Fact that upon any similar Occasion previously they had found themselves with Eight Millions of Specie in their Vaults?

No; and I think they might have reduced it to Two Millions upon the late Occasion with great Advantage.

2316. Is there a different Rate of Interest charged at the Branch Bank at Liverpool from what there is at the Bank in London?

There is.

2317. Was there any Occasion when Merchants were refused Accommodation in October by the Bank?

Yes.

2318. Did any Instance of that come under your own Knowledge?

Yes. I will read a Note that I have received from my Partner this Morning. Having been out of Town at the Time I did not quite understand the Transaction, and I begged that he would state to me more particularly the Circumstances under which Discounts were refused. Independently of this, I know other Cases where they were refused. This is the Note I received this Morning. "I have your Note of yesterday. It is well known that during the "Extremity of the Pressure, Mr. P———— Agent of ———— was unable to "obtain a Loan of a few Thousand Pounds in Liverpool, though he offered "to give the joint Bond of ———— and ————, and expressed himself "ready to give the full Rate of Interest then current in the Market. I was "told that he applied to Two of the Banks and several Individuals. I heard "Eight per Cent. mentioned as a Rate of Interest that would be given. He "did not get the Money. At Times we have had large Discounts from the "Bank of England Branch here, as you know. At the Time of the greatest "Pressure we had no Bills under Discount with them at all, and wanting a "few Thousand Pounds of Cash unexpectedly I told the Manager we should "send in a few Bills for Discount, which he said he really must decline. I "remarked that this was very extraordinary, considering that within Four "Months they had held several Hundred thousand Pounds of Bills from us "under Discount at one Time, and at that Moment they did not hold One. "He answered, 'I know it; but we are so pressed you really must not come "for Discounts now, or, if you do, limit it to 3,000 *l.* I can't do more for you.' "In consequence of this we did not go to him for any Discounts after that, "nor take the 3,000 *l.* he then offered; as it happened we had no occasion to "do so."

2319. It has been stated to the Committee that the Branch Bank of England at Liverpool discount at a higher Rate than the Bank of England discount in London; will you be so good as to state the Reasons, as far as you are acquainted with them, of that Difference existing?

I cannot state the Reasons; I only know the Fact.

2320. Have you any Document to show the Difference between the Rate charged by the Branch Bank at Liverpool and that charged by the Bank in London?

I am aware that there is a Difference. I think they first commenced charging a small

a small Sum more than in London; and during the Crisis it was raised as high as One per Cent. Difference. If I recollect right, I had some Conversation with Sir Charles Wood about it, and stated how great a Grievance it was to the Provinces to have to carry on their Business at a Disadvantage with the Merchants in London. Of course he said it was a private Affair of theirs, and he could not interfere.

2321. Are not the Bank in the habit of making a Difference in discounting Bills, not as to the Quality, but as to the Description of Bills?

I have heard this asserted, but do not know of my own Knowledge. There is a Suspicion of that Kind; it is difficult to state it.

2322. You have stated that one Result of the Pressure, and of the consequent high Rate of Interest, was, that Orders for manufactured Goods were to a great Extent countermanded; you have also stated that there had been a large Import of Corn in the course of last Year from the United States; was not there also a large corresponding Export of manufactured Goods?

There was.

2323. Are you of opinion that that Export of manufactured Goods was a bonâ fide Export and Sale, or that to a considerable Extent it was a forced Export, for the Purpose of raising Money by obtaining Advances upon the Goods exported?

It was a bonâ fide Export and a profitable Sale until the Price of Money became very high here, and acted upon the United States; and then Parties who had entered into these Operations, finding themselves pressed to meet their Engagements, were compelled in some Cases to make Sacrifices to meet their Engagements; but it was in the first instance reasonably profitable.

2324. Can you state at what Period those Transactions became unprofitable?

After the Price of Money became in the United States One to One and a Half per Cent. per Month.

2325. Can you state when that was?

I do not recollect precisely, but it was not till after the Rise of Interest by the Bank of England.

2326. Not till the Autumn?

Not till the Autumn; we sympathise with each other. It is impossible to raise the Interest of Money here to any Extent without raising it in the United States.

2327. Were considerable Quantities of Goods sent upon Speculation to New York, and other Ports of the United States, for the Purpose of obtaining Advances to meet immediate Claims in this Country?

I do not believe that anything of the Kind occurred, as Agents here were unwilling to come under Engagements during the Pressure. I believe that latterly, when the Rate of Interest has been very high, some Shipments have been made on account of Manufacturers; but I think the Shipments on their Account are very small, compared with what they used to be.

2328. Are you aware, of your own Knowledge, what is the State of the Prices with regard to manufactured Goods upon the Eastern Coast of the Union?

I am not. My Impression is that the Stocks of Goods are not heavy. There have been some Failures amongst the manufacturing Interests in America.

2329. You stated that there has been a large Increase in the Export of Manufactures during last Year to America; has not Part of that Increase been owing to the Interruption of the Trade between this Country and Mexico, and to the Manufactures of this Country having partly gone through the United States to Mexico?

To a very limited Extent I think.

2330. Do you happen to know what have been the Fluctuations in the Rate of Interest in the principal Towns in the United States in the last few Years?

I do not. The Committee are no doubt aware that the legal Rate of Interest in the various States is different. I think in the New England States it is Six per Cent. In New York it is Seven; in Mississippi it is Ten; in Pennsylvania it is Six; in Maryland it is Six. In some of the Southern States it is Eight. It differs from Six to Ten per Cent. in the various States.

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2331. None of the Banks ever charge higher than the legal Rate of Interest?
No.

2332. They cannot by Law?
No.

2333. When the Rate of Interest charged by other Parties out of Doors is at One to One and a Half per Cent. per Month, does not that make it difficult for the Banks to discount at a lower Rate of Interest?
They can only discount up to a certain Amount at the legal Rate of Interest. They probably have, when Money is scarce, a great many more Bills offered than they can discount, and they select the best; then the others go into the Money Market, and the Parties holding those Bills, if they must get Money for them, pay a Commission in addition to the Discount.

2334. Then, practically, the Merchants do not always get their Bills discounted at the legal Rate of Interest?
Sometimes not.

2335. Then in that case the Interest demanded by the Bank is not to be taken as a fair Criterion of the Rate of Interest actually paid?
By no means.

2336. It is a Criterion of the Amount of Interest charged by that Bank?
Certainly.

2337. Do not you think, that if the Bank of England had confined itself to Five per Cent. in its Discounts, that would have avoided much of the Panic here in this Country?
It would certainly have left them in a better Position to meet the Contingency of any Panic; but they must then have had a great deal of Money unemployed, because the Price out of doors would have been less than the Bank Price, and the Merchants would not have gone to the Bank, if they could have got it cheaper out of doors.

2338. During the Pressure here, when the Price out of Doors was Ten per Cent., and even more, was not that consequent upon the raising of the Price of Interest by the Bank of England? If the Bank of England had restricted itself to Five per Cent. or to a more moderate Rate of Interest, would it not have avoided much of the Pressure and Panic?
I do not think it would. The Price of Money out of Doors was irrespective of the Action of the Bank of England, unless they had discounted freely. So long as they remained limited in their Discounts, I do not think they could have affected the Price out of doors. At one Period it was not a Question of Price, it was a Question of can it be got or can it not be got.

2339. That State of Things was not for a very long Period?
For a very short Period.

2340. But at other Periods when Money could be got, though at a high Rate of Interest, are you of opinion that it would have been right for a Body like the Bank of England to have advanced Money at less than its real Value?
I am an Advocate for the Bank of England gradually raising their Rate of Interest, but not suddenly, so as to give the commercial Interest of the Country timely Warning, and to enable them to contract their Operations.

2341. Are you in favour of their reducing the Rate of Interest to a low Rate?
I do not think it is expedient to reduce it very low; but if they do not reduce it to a very low Rate at some Periods, they will be underbid by People out of doors, and they will have a large Amount lying idle.

2342. Does not that low Rate of Interest encourage extreme Speculation, and are not those very People who are tempted to speculate by the very low Rate of Interest afterwards caught by a high Rate of Interest? Do not those great Variations in the Amount of Interest in fact occasion much of the Distress which we occasionally see?
No doubt they occasion some Distress, but on the other hand they do a great deal of Good. For example, look at the Cotton Market of Liverpool. There

the Banks and the Public have repudiated in some Measure Bills drawn on Cotton Brokers, but the Quantity of Cotton that comes to Liverpool at various Times is sometimes so great that without Accommodation of that Kind on the Part of the Broker to the Merchant, or by the Banker to the Holder of Cotton, it would be impossible to hold that Stock which is necessary for the general Consumption of the Country; and the Advance in Price created by this mutual Accommodation helps to keep up the Price in the United States, or elsewhere, from which we get our Cotton, so as to give a remunerative Price to the Planter, and enables us to get a Supply. But latterly the Price has not been kept up sufficiently, notwithstanding the Aid from Speculation in the United States, to be remunerative to the Planter to encourage large Production; and if we had an unusually brisk Trade in England our Supply would be found exceedingly short, and the Manufacturers would be distressed for Want of the Article.

2343. So that upon the whole you are in favour of a State of Banking which produces these violent Fluctuations in the Amount of Interest; you do not think them prejudicial to the commercial Interests of the Country?

I am not in favour of a State of Banking that produces violent Changes. I think it is dangerous for the Bank to raise the Rate suddenly high. But you cannot control it on the Part of the Public; but the Bank should not be the first to set the Example.

2344. You are aware that the Bank of France never advance their Interest beyond Five per Cent?

Yes, I am aware of that.

2345. Do not you think that Manufacturers at Rouen, for instance, would have a great Advantage over our Manufacturers in Lancashire from being always able to rely upon it that the Circulation which they require for the Purpose of carrying on their Business will not be above Five per Cent., while our Manufacturers on the contrary are encouraged at one Period by an extravagantly low Rate of Interest, and are caught at another Period by a very high one?

Although the Manufacturers at Rouen and other Places on the Continent may be enabled to get their Bills discounted to a certain Extent at Five per Cent., I apprehend that they are never in a Position to get all the Bills discounted which their Commerce sometimes requires. Our Manufacturers, therefore, I think are in a better Position, because, with One or Two extraordinary Exceptions, such as we had in the past Year, the Rate of Interest does generally put within their Reach that Accommodation which enables them to carry on their Business, because with a good Trade, they can afford to pay a higher Rate of Interest. It is generally a Want of Trade, and the Want of a Demand for Money, that brings it down to a very low Price.

2346. If the Value of Money is either very high or very low, do you think, as a general Principle, that it is desirable by an artificial Arrangement of any Kind to fix its Value at a different Rate?

I think it is exceedingly dangerous to the commercial Interests of the Country to interfere with the Rate of Interest at all. Money should find its Level as well as every thing else.

2347. The Evils arising from Fluctuations of that Kind, unless they are artificially produced, are Evils which attach to Variations of Price in other Commodities?

They are Evils which are inseparable from an enterprising commercial People.

2348. Therefore your Opinion is, that the Interest of Money should be allowed to find its own Level without artificial Regulations?

Yes.

2349. In a Country like this, where you have a large Corporation like the Bank of England, with an exclusive Power of issuing Bank Notes, holding all the Government Deposits, and having the Power and Means which the Bank of England possess, do not they produce that artificial State of Interest which we have been speaking of, and is it not in their Power to produce violent Fluctuations by extreme Indulgence or Relaxation at one Time and extreme

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Severity at another? Do you call that leaving the Rate of Interest to regulate itself entirely by the Demands of Commerce?

I apprehend that there are Periods when the Action of the Bank of England has very little Effect upon the Money Market. The Quantity of Money that is out of doors for mercantile Purposes is frequently to be got at a lower Price than we can get it at the Bank, and they underbid the Bank. But there are other Periods, such as that which we have lately passed through, when any sudden Contraction on the Part of the Bank of England produces the greatest possible Distress. Although I do not object to the Price of Money in some measure governing itself, I should like a general controlling Body, such as the Bank of England, to do it with great Discretion, and allow as much Time as possible to allow commercial Affairs to adjust themselves.

2350. Do you think that it would be beneficial to the Country if the Bank of England were entirely a State Bank, managed by the Executive Government, and having in view political as well as monetary and commercial Considerations?

I am very much afraid of trusting too much Power to the Government. I am afraid that in Times of great Difficulty they would issue too much Paper.

2351. You came up in the Month of October with a Deputation from Liverpool, in consequence of the Distress then prevailing, to have an Interview with the First Lord of the Treasury and the Chancellor of the Exchequer?

I did.

2352. Will you be so good as to state whether you and the other Members of the Deputation offered any particular Suggestion to the First Lord of the Treasury as to the best Means of meeting the Difficulty of that Emergency?

The Application was more on behalf of our local Banks, to enable them to meet the Wants of the Merchants, than a direct Application from the Merchants; and the Suggestion which I made, and which the Deputation, I think, generally concurred in, was, that the Banks should have lent to them Three per Cent. Consols, and that they would sustain any Loss that there might be in the Sale of those Consols, in order to help their Customers, and to replace those Consols at no very distant Period to the Bank of England. But we found that the Amount of Consols in the Hands of the Bank was by no means considerable, and that they had not the Power to do it. Their Securities, therefore, I inferred, were of a much less convertible Kind than Consols. We did not think that Exchequer Bills would do, for the Market was flooded with them.

2353. You wanted to get Bank Notes?

Yes. There are many Cases, some of which came under my Knowledge, where Houses of great Responsibility and great Respectability, being disappointed at those local Banks in getting those Discounts which they had been accustomed to get, in order to meet their Engagements, have really made Sacrifices which have brought many of them almost to the Verge of Bankruptcy, by selling Produce of various Kinds at Prices at which they could not replace it in the Markets from which it is produced.

2354. Do you think that the Suggestion which you have now stated is one which would have been preferable for Adoption to the Course which was taken, by authorizing the Bank to dispense with the Restriction of the Act of 1844?

No. I think that was a most judicious Letter; that it enabled Orders which were in suspense to be executed; that it made Bill Cases available which were totally valueless before; that it rapidly decreased the Demand for Discounts at the Bank, as it let loose hoarded Money, and saved, I am convinced, many solvent Houses from Bankruptcy.

2355. You think that the Course then adopted was one which, if not preferable, would quite supersede that which you had recommended?

Yes. I only wish it had been adopted a Month sooner; I think it would have saved a great deal of Distress and Panic.

2356. The Act of 1844 having been, in fact, suspended on this Occasion, if not repealed, by the Letter, and the Consequences of that Suspension having been, in your Judgment, advantageous to the Public, will there be any Confidence

fidence in the Adherence to the restrictive Clause of the Bank Act upon future Occasions?

No; I think there will not. I think the Public would look for a similar Relaxation.

2357. And at an earlier Period, probably?

At an earlier Period, probably.

2358. Do not you think that the Pressure on the Part of the mercantile Body, upon each succeeding Occasion on which such a Relaxation may be asked for, will probably be greater and greater at every succeeding Time?

I think, having got the Relaxation now, the mercantile Body would press for it sooner another Time.

2359. Then, practically speaking, even if it were conceded that the Bank Act of 1844 was advantageous, does it not stand practically repealed or modified by the Interposition of the Government in October, and the beneficial Consequences of that Interposition?

I consider that the Letter of the Government virtually condemned and annulled it.

2360. Can you conceive it possible to defend at once the Letter and the Act?

Certainly not.

2361. Is not, in fact, an Act which is to be repealed the Moment it comes into operation at all itself good for nothing?

It is an Evil.

2362. Do you think that it would be possible to frame an Act of Parliament which would provide sufficient Means of securing the proper Action of the Bank at a Moment like that through which we have lately passed?

I very much doubt whether any Act of Parliament could be framed to meet such an Event. I think it must be left very much to the Discretion of the Managers of the Bank to govern themselves as they best can by their View of coming Events.

2363. Supposing such a Discretion to be vested in the Managers of the Bank, would not the Pressure be likely to be very severe upon them at such a Moment?

It is difficult to say what Causes might arise to make a Pressure, as Pressures have arisen from so many various Causes. We know that we have never had so severe a Pressure as the last. I have seen former Panics; first, when I was a Boy in the Counting-house in 1800, then in 1810, in 1816, in 1819, in 1825, in 1837, in 1839, and again in 1847; and the last was, I believe, by far the severest of the whole.

2364. Supposing that the Bank of England were left to act entirely at its own Discretion at a Moment like that which occurred last October, would not the Pressure of Applications to the Bank for Advances, and for different Kinds of Accommodation, be very severe?

Certainly it would.

2365. Therefore the more difficult the Exercise of the Power, should not the greater Protection be given to those who have to exercise it?

My Feeling is that if the Bank had raised the Rate of Interest instead of lowering it at the Time they did, they would have prevented so severe a Panic. I think they had the Power in their own Hands of preventing much of the Mischief.

2366. Would they not be more likely to exercise this relaxing Power upon a Pressure of Applications from without if they were not restrained by the Law than if they were?

Certainly.

2367. Looking back to former Periods at which the Bank had to exercise its own Discretion on similar Occasions of Crisis, and (without going back to 1815 and 1819, because at that Time the Currency was upon a different Footing,) looking at the Management of the Bank since 1819, is there any good Reason to suppose that if it had been left without any Restriction of this Kind it would

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have found itself in a very strong Position at the Time the Pressure came on in October last?

I think it would; because in all former Exports of Gold of which we have any Knowledge we have found that about Seven or Eight Millions adjusted the Balances. Now they had a much larger Amount of Specie when this Panic commenced, and of course they could have afforded to part with a great deal more of it to adjust the Balances.

2368. Do you suppose that the Bank would then have been in possession of Sixteen Millions of Gold if it had not been for the Act of 1844?

I do not see why it should not.

2369. Has there been any previous Period when they have had Sixteen Millions?

They have Fourteen Millions now when this Act of 1844 is a dead Letter.

2370. You mean in the Issue Department?

The Act of 1844 is not now in action at all; but Gold is still coming in. I should not consider that it is this Act that is now bringing the Gold back. It is now inoperative.

2371. The Question is, whether at any previous Period, when the Bank was acting under a free Discretion upon this Point, it was ever in possession of so large an Amount of Bullion as it possessed at the Commencement of last Year?

I am not aware of that.

2372. Was it ever in possession of anything like that Amount within your Recollection?

I think I recollect the Bullion up to Twelve or Thirteen Millions.

2373. Can you conceive by any reasoning how the Act of 1844 could have contributed to bring in the Amount of Bullion which the Bank had at the Beginning of last Year?

Not at all.

2374. Do you, as a Merchant conversant with Business, think the Separation of the Issue Department from the Banking Department a wholly useless Piece of Book-keeping in the Management of the Bank?

I would almost say, if it were not making use of Language which it is hardly proper to make use of before this Committee, that I think the Act of 1844 a perfect Absurdity.

2375. Supposing the Act of 1844 were repealed immediately, and the Bank had given to them the Control of the entire Amount of Bullion both in the Issue and in the Banking Departments, do you think it likely that the Bank would allow their Affairs to be so conducted that they would retain that Amount of Bullion in their Possession?

I do not see why they might not do so.

2376. Do you think they would?

I do not see why they should not do so; but I think they hold at present too many inconvertible Securities.

2377. Judging from the Interest of the Bank and from its past Practice, do you think that if the Act of 1844 were repealed To-day, the Bank would be content to allow its Affairs to remain in their present Condition, with Fourteen or Fifteen Millions of Gold in its Coffers?

They might not. But I might ask, what is the use of Seven Millions of it which was not available when wanted.

2378. Do you think it would be the Interest of the Bank, and in conformity with its past Practice, to allow Things to remain in such a Condition as that it should have Fourteen or Fifteen Millions of Gold in its Coffers?

I think, if they profit from the Experience they now have, they would see the Necessity of keeping a much larger Reserve of Gold than they hitherto have done. Whether they have Wisdom or not to adopt that Course I cannot tell.

2379. You are aware that the Amount of Gold which they had in the Banking Department in the Month of October last was not above One Million?

Yes.

2380. Considering the Convertibility of the Bank Paper to be an Object of primary Importance, do you not think it better to trust to the Security of an Act of Parliament than to the Discretion of any Body of Men?

No. I consider that if the Government had not come forward with the Letter of the 25th of October the Bank of Discount must inevitably have stopped, and the consequent Distress to the Country would have been as great as if the Bank of Issue had stopped.

2381. Will you have the goodness to look at the Return now before the Committee, and state the Amount of Bullion in the Bank on the 29th of February 1844?

On the 29th of February 1844 the Amount of Bullion in the Bank was 16,213,000 *l.*

2382. It is unnecessary to ask you whether that could be attributed to the Operation of an Act passed in the following August?

Of course not.

2383. You are aware of the Restriction imposed by the Act of 1844 with respect to the Amount of Silver which the Bank can hold. Do you think that is a wise Restriction?

I am rather disposed to adhere to Gold than to increase the Quantity of Silver, for Silver will buy Gold upon the Continent, and Gold is more easily transported; it is a more easy Metal for great commercial Countries to adjust their Balances with. But I have no very strong Opinion upon that Subject.

2384. Does that Remark apply more particularly to our Transactions with the United States, or does it apply in the same Degree to our Transactions with the Continent of Europe?

I should say that it applies to all the World.

2385. Are there not Occasions of Derangement of the Foreign Exchanges on which the Balances could be met by Remittances of Silver?

There are sometimes.

2386. In those Cases do you think that considerable Convenience would result to the Bank of England by being unrestrained with respect to the Amount of Silver which it held in Deposit?

The only Objection I can see to that is, that it is not so fixed a Standard of Value; it is more fluctuating in its Value than Gold.

2387. The Object of the Question is not to suggest in the slightest Degree the Introduction of Silver as a Standard of Value, but to allow the Introduction of Silver to a greater Extent in the Deposits of the Bank, so as to enable the Bank, if it thought fit, by exporting that Silver to adjust the Foreign Balance rather than by the Export of Gold?

Certainly; I think that might answer a valuable Purpose.

2388. Then upon that Subject you have no Doubt?

No; I think not.

2389. You said just now that the Bank of Discount was in imminent Danger of stopping Cash Payments in the Month of October; what is your Ground for that Opinion?

They had at the Time not more than about 700,000 *l.* Specie, if I recollect rightly, and about a Million of Notes. Then the Depositors in the Bank held private Deposits to the Extent of Five or Six Millions. If those Depositors had come for their Money the Bank must have stopped Payment, for they could not have paid those Deposits.

2390. Then it is your Opinion that they could not have realized a sufficient Amount of their Securities?

I think not in Time to meet the Exigency.

2391. Are you aware that the Governor and Deputy Governor of the Bank are of a totally different Opinion?

I am not.

2392. Are you aware that no Application was made by the Directors of the Bank to the Government for any Suspension of the Act at the time?

I have understood that they did not.

 2393. Indicating

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2393. Indicating therefore an Opinion on their Part that they were in no Danger of Suspension?

They might possibly have prevented Suspension by ruining the Country in refusing all at once to discount Paper. They had the Means of saving themselves if the Bills they held were paid, but this would have been doubtful.

2394. You are aware that Sums were daily coming in, in satisfaction of the Bills which the Bank had under Discount?

I have stated that they might have discounted freely, because the Notes which were going out at one Door would have come in at another. But that does not alter the Position of the Bank. If there had been a political Panic, and the Depositors had gone and demanded Specie for their Cheques the Bank must have stopped.

2395. Is not it the Fact with respect to all Banks, that no private Bank in case of a Panic taking place has a sufficient Amount of Money in its Hands to answer the Demands of all its Depositors?

No doubt; but a great national Establishment, such as the Bank of England, the Bank of the World, I conceive never should be in that Position. It should be in the Position in which the Bank of France was, when the allied Armies entered Paris in 1815; they did not discount more than their available Means enabled them to meet, and no Panic took place.

2396. Without assuming any political Panic whatever, supposing in October the Bank, in order to take care of itself, had ceased discounting, would not a commercial Crisis have operated to produce a Suspension of their Payments by a Withdrawal of their Deposits?

Certainly.

2397. Supposing, for instance, the Deposits of the London Bankers had amounted to upwards of 1,800,000 *l.* at the Time when the whole Reserve of the Bank amounted only to 1,600,000 *l.*, do not you think, as a commercial Man that the withholding of all Discounts by the Bank at that Time would have rendered it necessary on the part of the London Bankers to call up all their Deposits?

No doubt of it.

2398. Supposing they had not taken that Course, but had felt it necessary to recruit their Reserve by the Sale of Securities, do you think that the Circumstances of the Stock Exchange at that Time would have admitted of the Sale of a Million or Two Millions of Stock or Exchequer Bills?

I do not think it would without very great Sacrifices; and if the Panic had been equal to what we might suppose it might have been under such Circumstances, I doubt whether they could have been sold at all.

2399. But even assuming that they could have been sold at a considerable Sacrifice, would not that have entailed the Consequence not only of a Sacrifice to the Bank, but of a Sacrifice to all the Holders of Public Securities?

Certainly. I think the Remedy would have been worse than the Disease.

2400. Supposing at that Period there had been a Demand upon the Bank for Two Millions of Advance upon Deficiency Bills, how could it have been provided for?

It could not have been provided for unless by sacrificing the commercial Community by withholding Discounts.

2401. Your Attention has been called to the Amount of Bullion in February 1844. Admitting that the Amount of Bullion in 1844 was 16,000,000 *l.*, it appears that during the Three succeeding Years, and almost the Four succeeding Years, the Amount of Bullion has been maintained nearly at the same Point. Now supposing the Bank had been left with an unrestricted Discretion with respect to the Amount of its Bullion, do you think it would have retained during the Years 1844, 1845, 1846, and Part of 1847 that Amount of Bullion in its Coffers?

That is one of the Difficulties with respect to the Bank; you do not know what Discretion they would use.

2402. Would

2402. Would it have been their Interest to keep a very large Amount of Bullion during those Four Years?

No, it would not have been their Interest; and wes eldom get Men to act against their Interest.

2403. Do you think, looking at their former Practice, it is likely that they would have pursued that Course?

I do not know. Unless they had profited by past Experience, probably they would not.

2404. If they had done so it would have been inconsistent with their former Practice?

It would have been in some Measure inconsistent with their former Practice.

2405. Therefore, if the Bank was induced to take a Course which was inconsistent with its former Practice and with its Interest during those Years, it is hardly true to say that the Restrictions under which it was placed had no Effect whatever upon its Course?

I think that Sixteen Millions might have been in the Bank at that particular Moment without any Restriction having existed.

2406. The Question refers to its continuing there for Four Years?

As to the Discretion that the Bank would use I am not able to answer.

2407. You have stated that the great Fall in the Price of Cotton has at present caused it to be unremunerative to the Planters in America; is it consistent with your Knowledge that in consequence of that great Fall in Price Tracts of Country have been thrown out of Cultivation in America?

I believe that a great many Hands, which are more necessary than Country, have been turned over to Sugar Cultivation and to the Growth of Provisions.

2408. Since when?

That has been going on for Three or Four Years.

2409. Is there a serious Danger that the Diminution in the Growth of Cotton, arising from that Transfer of Hands to other Employments, will prejudicially affect our Supply of Cotton?

Unquestionably, if continued. But a Rise in the present Price here would counteract it.

2410. Is there any Rise in the Price of Cotton going on at present?

No. I think that the State of Europe generally and the State of the manufacturing Interest is rather against it.

2411. Is it your Opinion that at present the Price of Raw Cotton is so low as to be unremunerative to the Grower?

In certain Districts of the Country it is probably still remunerative, but as the Price advances you have a larger Range of Supply. There are some Lands very rich and which produce Cotton better than others, and those Lands are able to raise Cotton at a very low Price. Other Lands less rich and less productive require a higher Price to be remunerative.

2412. The Fact is, that at present the Price of raw Cotton is exceedingly low in this Country?

Very low.

2413. What Effect has that had upon the Prosperity of the manufacturing Districts?

The manufacturing Districts have been very much affected by the Famine in Europe and by the Famine at home. But the Price of Cotton, I apprehend, would not have been so low if it had not been affected by other Circumstances, by the Want of Means on the Part of Purchasers, both on the Continent of Europe and in England. The Want of Means to purchase the manufactured Article has necessarily caused a less Demand for Cotton, and of course the Price has been necessarily low; but I apprehend that before this excessive Pressure the Prices were getting so low that it was decreasing the productive Power of America.

2414. At the present Moment is the Cotton Manufacture in a very depressed State or in a prosperous Condition?

Very depressed.

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2415. Is any Improvement going on now?
No. The French Revolution has checked the little Improvement that was beginning to manifest itself.

2416. Are Stocks of Cotton accumulating on hand at present?
I think not. In consequence of the very low Prices, the Planters in America have lately been holding Cotton back.

2417. Have the Prices of manufactured Goods in Foreign Markets considerably fallen, and fallen more than in proportion to the Reduction in the Price of the raw Material?
I cannot speak to that with any Degree of Accuracy; but I think that the Price in Foreign Markets has probably been less influenced by the Price of the raw Material than by the disturbed State of the Country, and that Foreign Buyers in Manchester are afraid to operate, although if Things were going on with the usual Tranquillity they would probably be considerable Purchasers.

2418. What is the general State of the Operatives in the Cotton Districts?
They are represented as being by no means in a comfortable State; but I have less Opportunity of knowing them than other Gentlemen have.

2419. Are you aware of the Rate of Wages in the manufacturing Districts?
I am not. Any thing that I know respecting the manufacturing Districts is more from the Remarks of others than from any Knowledge of my own.

2420. The Foreign Shipments of Cotton are very much diminished at present?
They are.

2421. Is the Home Demand very brisk and active?
I should think not.

2422. Is the Trade suffering under any Difficulty from the monetary Distress?
I think not now.

2423. That has ceased?
That has ceased.

2424. But up to the Period of the Letter repealing the Act of 1844, the monetary Distress pressed considerably upon the manufacturing Interest?
Very much indeed.

2425. You stated that the Transfer of Labour from the Cultivation of Cotton to that of Sugar had been going on in America for Three or Four Years, but that is not connected with the commercial Pressure in this Country?
The effect of the commercial Pressure in this Country is still to keep down the Price of Cotton.

2426. But it was not the original Cause of the Depression in the Price of Cotton?
No. I think probably Over-production in America was the immediate Cause of the Under-production now.

2427. If that low Price of Cotton continues here, you think it will lead to a still further Transfer of Labour from the Cultivation of Cotton to the Cultivation of other Produce?
I do.

2428. When did the great Decline in the Price of Cotton first take place?
I am not able with any Accuracy to answer that Question; but I think, generally, the Prices for the last Three Years have not encouraged much the Increase of Growth.

2429. What did you consider the Prospects of Trade before the late Accounts from the Continent?
We were beginning to recover. It would have been slow and gradual; but we were expecting that the Manufacturers would be better employed, and that we should export more Goods, but we did not expect it to be equal to what it had been in former Years, because I consider that the Continent had not recovered from the great Losses sustained by the great Masses in buying Provisions, which took away a great many of those Funds which would have been otherwise appropriated in buying Furniture, Clothes, and Luxuries.

2430. Can

2430. Can you state what was the average Price of Cotton in the Years 1842 and 1843?

I am unable from Recollection to state.

2431. You informed the Committee that in the course of your Experience you recollected several Occasions of great commercial Pressure, and you stated also, that you considered this last Occasion as one of more severe Pressure than any former one. In what Respects should you say that the Pressure upon the last Occasion was more severe than upon any previous one?

I never knew any former Pressure, although probably I was less known as a commercial Man, and probably in less commercial Credit than now, when I could not get Bills discounted. I have given the Committee Evidence that I could not get them discounted upon the present Occasion.

2432. Should you consider the Price of the public Securities as a material Indication of the Amount of Pressure?

Certainly, to some Extent.

2433. Are you aware of the Fact that the Difference in the Prices of Government Securities, that is to say, Consols, Exchequer Bills, and Bank Stock, during the Year 1847, was considerably less than it has been in several other Years?

No, I am not aware of that Fact. There may be other Causes for that as well as commercial Pressure; there may be Foreign Loans; there may be other Investments inducing People to sell Stock at very low Prices, with the view of making more profitable Investments; so that it is not a certain Criterion.

2434. With respect to Foreign Loans, is it not the Fact that there has been no very large Amount of Foreign Loans?

Unless I knew the Circumstances that acted upon the Funds at the Time it would be impossible to give a positive Answer.

2435. Are you aware that the Three per Cents. were in February 1847 at $91\frac{5}{8}$, and that they were on the 23d of October, in the same Year, as low as $78\frac{3}{4}$?

Yes, I am aware of that.

2436. Do you not consider that a very formidable Depression in the public Securities?

Very great indeed.

2437. It appears that Consols fluctuated during the Year 1847 between 94, the highest Price, and $78\frac{3}{4}$ the lowest, making a Difference of $15\frac{1}{4}$, whereas the Difference in the Prices of Consols in the Year 1825 was $16\frac{1}{4}$, and in the Year 1830, $16\frac{3}{4}$: and in the Price of Exchequer Bills the Difference was from 15 *s.* Premium to 37 *s.* Discount, making a Difference of 52 *s.*: and the Difference in 1825 was 153 *s.*; in 1845, 59 *s.*; and in 1839, 82 *s.* Therefore, if the Fluctuation in the Prices of public Securities is any Indication at all, are not those material Facts bearing upon that Point?

I think they are Indications sometimes, but not always; other Causes might act upon them as well as commercial Distress.

The Witness withdraws.

Ordered, That this Committee be adjourned till To-morrow, Two o'Clock.

Die Martis, 14° *Martii* 1848.

THE LORD PRESIDENT in the Chair.

JAMES LISTER, Esquire, is called in, and examined as follows:

2438. You are at the Head of the Union Bank in Liverpool?
I am. I am Manager of it.

2439. How long have you been in that Situation?
Since the Bank was founded; Thirteen Years.

2440. Were you connected with Business in any Way before that?
Since I was Fourteen Years of Age.

2441. At Liverpool?
Both in Liverpool and in Manchester. Seven Years in Manchester, and the Remainder in Liverpool, where I was born.

2442. In that Capacity have you had an Opportunity of forming any Opinion respecting the Causes of the commercial Distress which is known to have prevailed at Liverpool in the Spring of last Year, and subsequently in the Autumn?
I have.

2443. Will you be so good as to state your Impressions as to those Causes, and the Circumstances peculiar to Liverpool which accompanied that Distress?
I think there are Two leading Causes. The first was a providential one, by the Failure of the Harvest and the Potato Crop in Ireland; and the second arose from a large Transfer of floating Capital from Business by mercantile Men to Railways. It always appeared to me that the large Sums that were transferred from Business to Railways by mercantile Men were a most dangerous Element introduced into Banking, because we could not tell what our Customers were doing. We never advanced Cash on Railway Shares, and if we knew of our Customers dealing in them we refused them Credit.

2444. There was a great Reduction of Balances which you considered to have occurred on that Account?
In the first instance I think there was an undue Extension of Credit on that Account, because a Man transferred Property from Business into Railways and was still anxious to carry on the same Extent of Business. He probably first thought that he could sell the Railway Shares at a Profit and replace the Money in his Business. Perhaps he found that could not be done, and he then got Credit in his Business where formerly he paid in Cash. There was an Extension of Credit from that Circumstance.

2445. You do not mean to say that that was the sole Cause in your Opinion?
No; the other Cause was the Failure of the Harvest, and the enormous Importations of Food consequent upon it, which caused another Extension of Credit.

2446. At what Time did those Causes come into the strongest Operation?
I believe that the Failure of the Harvest, by the Smash it gave to Credit, and the Contraction of Credit generally caused by that, brought the Railway Speculation to a Close.

2447. Do the Banks at Liverpool conduct their Affairs very much with reference to the Conduct of the Bank of England?
Four of us have a Contract with them. We are on the most intimate Footing with the Bank of England; and as far as we can gather what their Operations are going to be, we endeavour to conduct our Business by their Views.

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2448. So that in fact you are perpetually adjusting yourselves to the Proceedings of the Bank of England?

As far as I am concerned I watch them very carefully, and I think my Neighbours do the same.

2449. Did the Bank of England, in your Opinion, act a prudent Part as to the Period at which they commenced restricting their Issues in the Spring of last Year?

I think they should have begun earlier. But unless I was put in the Position of the Governors of the Bank, and knew their Circumstances, I should be very sorry to state that as blaming them, because, not being in their Position, I merely speak from Appearances; but I should be very sorry to give a dogmatic Opinion upon that.

2450. You are disposed to think that if they had begun earlier to restrict their Issues it would have produced a salutary Check upon the Enterprises to which you have been alluding?

If they had raised the Rate of Interest sooner I think it would have caused a Contraction and checked Operations earlier, and caused a less violent Crisis. In the City they told me at the Time that the leading monied Men complained bitterly of the Bank not raising the Rate.

2451. You think that raising the Rate of Interest would have been the preferable Mode of checking any Disposition there might be to excessive Speculation rather than diminishing the Issue of their Notes?

I do not see well how they could have diminished their Bank Notes, except by raising the Rate of Interest, which would have checked the Operations of all prudent People.

2452. Will you state the Period at which you think the Bank ought to have raised their Rate of Interest?

They lowered their Interest in 1846, I think in August, before they ascertained what the positive Result of the Harvest would be, when I think they might have left it alone. But, as I said before, I beg to qualify that Answer by saying, that unless I was put into the Board Room of the Bank of England, it would be great Presumption in me to pretend to censure them.

2453. But, referring to your former Answer, there is another Mode by which they might have diminished the Amount of their Issues without raising the Rate of Interest, namely, by diminishing the Number of Persons for whom they consented to discount, but you think that that would not have been so judicious a Mode as raising the Rate of Interest and discounting for all?

I do not pretend to give an Opinion, except this, that when the Rate of Interest is raised, it is a Signal to the whole Country to look out.

2454. Is it not a less invidious Mode of acting?

It acts generally; there is nothing personal in it. The raising the Rate is a general Indication to all the Country, or ought to be.

2455. And as one very deeply interested in the Operations of the Bank, you would rather that the Bank took the course of restricting its Accommodation than of making a Distinction between Parties?

Probably they might have to do both; because they exercise a Discretion as to the Business, and they might consider a particular House as doing too much.

2456. Did the Bank exercise a more severe Discretion than usual as to the Houses for whom they discounted in the Spring of last Year?

They tightened up very much indeed.

2457. Was that the Case more particularly in Liverpool, or was it so in other Places also?

I am not aware that it was more particularly in Liverpool, but Liverpool has suffered more severely than any other Town by reason of the enormous Fluctuation.

2458. It has been stated to the Committee that habitually the Rate of Discount required by the Bank is a Half per Cent. higher in Liverpool than in London. Is that the Fact?

Since 1844 I believe they have made that Distinction. They have always kept

kept the Rate of Interest from a Half to One per Cent. higher in Liverpool than in London. Previously to that they used to charge the same Rate to Bankers.

2459. Can you explain the Reason of that Change?
They did several other Things after 1844, as far as Bankers were concerned. They have deprived us of several Facilities which they used to give before. Previously to 1844 they gave us Loans, the same as to the Bankers and Merchants of London, previously to the Dividends, at the Market Rate. They have refused them since.

2460. Do you consider that that Course was rendered necessary for them by the Act of 1844?
Probably they thought they would retain more Power over the Circulation by concentrating their Operations more in London.

2461. And have greater Power of adapting themselves to Exigencies that might occur?
I fancy so; but I never asked the Reason.

2462. You stated that you have been in the habit of observing the published Accounts of the Bank, but that although you so closely observed the published Accounts of the Bank, still you could not undertake to say, without belonging to the Bank, whether they were right in the Course they took at any particular Period; are the Committee to understand that you think that the published Accounts do not afford sufficient Information as to the Operations of the Bank?
By no means; they are very clear.

2463. Would not the Inference from your Answer be, that the Information supplied by these Accounts is not sufficient to enable you to form a Judgment as to the Propriety of the Course they took?
It might or might not justify the Conduct of the Bank, but it was sufficient for us to take warning.

2464. Are the Accounts, as they are published, sufficient for those who are interested in watching the Operations of the Bank?
They are sufficient for that purpose certainly. I do not see how we could have more Information unless they opened their Books.

2465. What was the State of the Exchanges at the Time when you think the Bank ought to have begun to restrict their Issues?
I cannot say what the State of the Exchanges was; but there were evident Symptoms that, from the enormous Importations which must take place for Food, the Exchanges must necessarily be against us, because we could not export Goods fast enough to meet this extra Demand, for we knew that it would be large, as 8,000,000 *l.* was borrowed for the Purpose. The Cornmen in my Neighbourhood said, "We are sure to have high Prices, and large "Importations, for the Government is going to spend 8,000,000 *l.* on Food; "therefore now we will go apace."

2466. Did this occur previously to the Difficulties in the Month of April, or subsequently to April and prior to October?
Those Symptoms, I apprehend, took place early in the Year, in January. It was well known that the Potato Crop had failed, and that we must have large Importations; but the Bank still kept at Four per Cent. till April.

2467. Did not they increase their Rate of Interest in the Course of the Summer, in July, August, and September?
It is notorious that they did. In April there was a very severe Squeeze.

2468. Then do you think that they did not put on the Restriction early enough in the Summer and Autumn, as well as previously to April?
I think if they had raised the Rate of Interest in 1847, early in the Year, it would have been better.

2469. Do you think that the Regulation of Interest by the Bank of England regulates the Market Rate of Interest with you at Liverpool?
Certainly it does, when they squeeze. We are now discounting under them.

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2470. Is that frequently the Case?
Frequently in ordinary Times.

2471. But in Periods of Difficulty and Tightness then the Conduct of the Bank of England regulates you?
Certainly; we go as high as they do, and higher.

2472. In Times of great Abundance of Money, has the Example of the Bank of England great Influence in lowering the Rate of Interest and in encouraging Speculation by facilitating the Advance of Money?
It is a great Body; we look to it. We are anxious to make something of Money; and when Money is cheap, we are not perhaps so particular about Securities.

2473. From the great Extent of their Transactions, do not the Bank of England, when they advance or when they lower their Rate of Interest, mainly govern your Money Market at Liverpool?
The Two Markets are almost identical, the Business of the Two Places is so alike.

2474. Looking at the Question of Competition in the Discount Market, do you conceive that any Alteration has been effected in the Condition of the Bank of England since 1844, by the Operation of the Act?
From what I hear I think the Bank have gone more into Banking Business as Bankers, and have been more disposed to compete with the Money Dealers. They pay their Customers Acceptances in Liverpool and in London for an Eighth per Cent., and we charge a Quarter.

2475. Supposing that the Rate of Interest required by the Bank is somewhat above the Level in the open Market, do you think it exercises much Influence then?
It has a Tendency to raise the Rate in the open Market to their Rate, because the Money Dealers suppose that the Bank have a Reason in putting up the Rate, and they are quick to follow it.

2476. Supposing the natural Interest of Money in the open Market was Two and a Half per Cent., and the Bank Rate was Three per Cent., do you think that would have a Tendency to raise the ordinary Rate of Interest to that Point?
When Money is at Two and a Half or Three per Cent. the Rate of Interest is almost a Matter of Indifference. The Bank is powerless when Money is in that State and the Exchanges are favourable.

2477. To what Extent was the Rate of Interest advanced during the Period of the greatest Pressure, in the Months of September and October 1847?
The Rate charged by the Bank in Liverpool was Nine per Cent.; but they would not give Money at that always, and in some Cases there was a positive Refusal to discount.

2478. Can you state any Instances of that?
I can state the Case of One House at Liverpool, Fielden Brothers and Company, where they positively refused. The Bank would not look at the Bills.

2479. Good Bills?
Undoubted Bills.

2480. You refer to the House of Mr. Fielden, the late Member for Oldham, which is a House of whose perfect Solvency no Human Being can doubt?
Certainly.

2481. At what Date were the Bills?
I have got a Statement of the Dates, signed by the Bookkeeper. The Agent was very anxious to do all he could. "On the 28th of September sent to "Branch Bank about 10,000*l.* in Bills; the Bank discounted about 1,500*l.* only; "Rate Six and a Half and Seven per Cent." That is, Six and a Half for short Bills, for a Month, and Seven for Bills above that. "September 29th, sent "about 7,500*l.*, discounted none; September the 30th, sent about 5,000*l.*, "discounted none; October the 4th, discounted for us 1,518*l.* 2*s.* 9*d.*; Oc-

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"tober the 5th, sent up Bills, 2,153 *l.* 3 *s.* 9 *d.*, with a Cheque for 1,500 *l.*, to "make it appear more urgent; the Bank refused to do any. Between the "4th and 15th of October made Three or Four Applications; all refused. On "One or Two Occasions Mr. Fletcher refused to look at the Bills at all." This is signed, "Fielden Brothers and Co.'s Bookkeeper, George Rippard." This was the Man who presented the Bills himself.

2482. Did they assign any Reason for the Refusal, which seems to have been repeated very often?

I did not ask the Question; but I asked Mr. Campbell, the Partner of Fielden Brothers, to what Circumstance he considered the Refusal to be owing; had he much under Discount; had he pressed much upon the Bank? He said, By no means; they had scarcely anything under Discount.

2483. Was there a Refusal, generally, at that Time, to advance Money upon Bills to other Parties?

They refused all they could, I believe, as far as I could gather. They were in that Position that they gave as little Assistance as they could: it was not from the Want of a Wish to do it; but they felt themselves in this Position, that they were in a Vice—in an Iron Cage, and they must take care of themselves.

2484. If the Act of 1844 had not existed, would they have been in a Position to be obliged to refuse such Accommodation?

I cannot tell that they might have thought it right to pursue the same Course.

2485. Was the Exchange favourable at that Time?

I cannot say. I did not watch the Exchange at that Moment.

2486. It was not at the Period when large Shipments of Gold were making to America?

My own Impression is that the Exchanges were against us in the Beginning of the Year, but in September and October they had turned; and I wondered at this, because I thought the Exchanges must be getting right as our Imports were falling off.

2487. You stated that at that Time, when the Bank discounted Bills, they discounted at Seven, Eight and Nine per Cent.; do you know what the Rate of Discount, by private Discount, at that Time was?

We charged the Bank Rate in our Establishment, and put the Proceeds of the Bills to the Credit of the Account.

2488. It was a very profitable Time for private Banks, was not it?

No; in such a State of Things the Profit is knocked down by Losses very soon.

2489. Have you any Means of judging, supposing the Branch Bank of England at Liverpool had not existed at all, at what Rate Persons would have been able to obtain Discounts from private Bankers at that Time?

We might have had any Rate we chose to ask, I believe.

2490. Therefore you do not consider that the Interference of the Bank of England caused that high Rate of Interest?

I cannot tell.

2491. Do you think that Rate of Discount was in consequence of the extreme Pressure generally in the commercial Community, or that it was in consequence of the Rate fixed by the Bank of England for its Branches?

We were obliged to charge that Rate to protect ourselves.

2492. Do not you think that you would have been obliged to charge the same Rate even though there had been no Bank of England at that Moment?

If the Bank of England in London had been charging that Rate we must have done it.

2493. Assuming that commercial Pressure to have existed at Liverpool at that Time, have you any Means of judging whether, supposing the Bank of England had not interfered at all, it would have been necessary for private Discounters to charge that Rate of Interest?

I can hardly answer that Question; but my own Feeling would be this, that

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we would rather reduce the Discount to a lower Rate, and be very careful, than charge such exorbitant Rates. It was revolting to any Man's Feelings to do it.

2494. You must have either charged a very high Rate of Discount or refused altogether?

Yes.

2495. You said that it was not a profitable Time for Bankers, inasmuch as the Losses balanced the Profits. To what do you attribute the Losses; to Advances having been made upon bad Security?

To the enormous Fall in mercantile Produce of all Descriptions. Consequently the Bills of Exchange drawn from abroad upon Merchants in the Town, being drawn upon the Security of that Produce were endangered if the Parties had not Property to make up the Difference caused by the Fall.

2496. How does that affect the Banks?

If the Parties whose Bills the Bank held failed, the Banks lost by them.

2497. Then was it that the Banks had accepted as Security unsound Bills?

No. If a Bill is drawn against actual Property at a reasonable Price by a Merchant of fair Credit and Character, we may think they are good, otherwise we would not take them; but Circumstances may make them bad in spite of the Parties.

2498. Do you attribute the great Fall which took place in the Price of Goods last Autumn to any Alteration in the Value of Goods, or was it entirely owing to the monetary Difficulties at the Time?

I fancy there was a very large Importation caused by the Failure of the Harvest, and from distant Countries Corn kept coming in in consequence of Orders which had been given, and perhaps more was imported than was required. That caused naturally a Fall of Prices; and then the monetary Difficulties pressed it down still lower.

2499. With regard to Corn, had the Price of Corn at any Time fallen to such an Amount as to vitiate the Security of Bills drawn upon Produce at the ordinary Price of Corn?

I think it had not. I do not say that there had been no Imprudence on the Part of Banks in taking Bills, but there was no extraordinary Imprudence that I am aware of.

2500. Were those Bills to which you have referred as Bills upon which the Banks had sustained a Loss by holding them, principally Bills upon Corn or Bills upon Cotton?

I think they were Bills upon all Kinds of Produce, Corn and Cotton and Sugar, all Foreign Produce of all Descriptions. There was scarcely any thing perhaps, with the Exception of Oil, that did not go down.

2501. Did the Price of Corn ever go down so far as not to be sufficient to give the ordinary Security for a Bill drawn upon it?

It has been for some Time, I apprehend, at such a Price that it is a reasonable Security for any Bill drawn against it.

2502. Has it ever been below that Price?

It has been very much above it; I am not prepared to say whether it has been below it.

2503. You talk of Bills drawn at the ordinary Price; were the Bills drawn at that Time upon Corn drawn at such a Price as prevails at present in the Corn Market?

There was a gradual Rise in the Beginning of the Year in Corn, and Bills were drawn from abroad against Importations.

2504. With respect to the Bills that were drawn at the Period of which you have been speaking for Corn, can you state at all for what Sort of Price they were drawn?

I cannot tell that; but I apprehend they must have been drawn at very high Prices in a great many Cases.

2505. Do you know what was the Price of Corn at the Time when those Bills became due?

I do not know what Bills are referred to. In Liverpool there were few Failures in the Corn Trade; there were more in London.

2506. Is it the Practice of the Banks in Liverpool, when they advance Money upon Bills drawn against Produce, to take the supposed Value of the Produce at the Time when the Bills are drawn?

It is impossible for me as a Banker to answer that Question, because I do not know. I know that a Broker who accepts a Bill will not accept it without a good Margin as to the Value; but I cannot tell the Proportion.

2507. Supposing the Price of Corn to be at 80 *s.*, would you, as a Banker, accept a Bill for 4,000 *l.* upon 1,000 Quarters of Corn?

I should be very shy of Corn Bills at that Price, and so would every prudent Banker when Corn gets up in that way.

2508. Unless there was some Degree of Speculation entered into by the Banks with reference to the Acceptance of Bills nearly up to the Price of the Produce at the Time, how could they have been subjected to the Losses which you represent upon Bills?

I do not think the Banks in Liverpool have sustained much Loss by Corn Bills. The Merchants might lose by Corn without the Banks losing.

2509. Would you have any Objection to inform the Committee in what Branch of Business those Losses to which you have referred principally occurred?

There were great Losses in Corn, there were great Losses in Cotton, there were great Losses in Sugar, and there were great Losses, I think, in Indigo, though that has got up since.

2510. You consider the Loss as having been pretty equally distributed over all Commodities?

Yes.

2511. When the Prices of all Articles fall or rise is not it presumable that the Fall or the Rise is referable to the State of the Money Market rather than any thing belonging to the Articles themselves?

It argues that there may have been an undue Stimulus to the Importation of those Articles previously, and a corresponding Depression following from a different State of the Money Market.

2512. Will you have the goodness to explain when Bills are drawn against Produce and are held by a Bank, what is the Security of the Bank, or what Hold it has upon the Produce itself; how does the Broker intervene?

There are Two Kinds of Bills drawn against Produce; the first is the original Bill drawn abroad upon the Merchant, who imports it. In consequence of the Steamers, the Bills which are drawn against Produce frequently fall due before the Produce arrives. The Merchant, therefore, when it arrives, if he has not sufficient Capital, has to pledge that Produce with the Broker till he has Time to sell that Produce. Then a new Species of Bill is immediately drawn by the Merchant in Liverpool upon the Broker, on the Security of that Produce, lodged in the Warehouses in Liverpool, bonded or free. Then it is the Business of the Banker to ascertain from the Broker whether he has the Produce, and to what Extent he has advanced upon it. It is his Business to see that the Broker has Property to protect himself if he makes a Loss.

2513. In that Case, the Security which the Banker holds is the Security of the Broker, not the Security of the Property held by him?

The Security both of the Broker and of the Merchant.

2514. But not of the Property?

He may have the Security of the Property if he chooses, by asking the Broker to give him a Letter to pledge the Property for the Bill.

2515. But that is not the common Mode?

It is not.

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2516. Then the Losses you speak of have been sustained in consequence of the Failure either of the Merchant or of the Broker, those Failures possibly arising from a Fall in the Price of the Articles?

Yes. We also receive Bills from abroad. There are Foreign Bills. A Man buys a Bill abroad on England, and sends it to a House in England; we cannot tell whether that Bill is drawn prudently or imprudently, whether it is drawn for Produce or for Wind.

2517. In fact, you judge according to the Character and Credit of the Parties?

Yes.

2518. When the Houses or the Brokers are in really good Credit, you do not inquire much as to what their Transactions are?

When they are known to be prudent or respectable Men, we believe that they will take care of themselves.

2519. Is there any thing on the Face of the Bill to show on what account it is drawn?

No, not necessarily.

2520. When the Bill comes to you, you do not know whether it is drawn for Indigo, or Sugar, or Cotton, or Corn?

We can form an Idea generally.

2521. But that is by private Information?

From the Trade of the Party.

2522. But you do not make it a Practice uniformly to inquire into the Nature of his Resources?

When there are great Fluctuations we like to know what a Man is doing, to know whether he is losing Money or making it; and we can only judge of that, by knowing what he is dealing in.

2523. You stated that the Bank began to advance the Rate of Interest (though not quite so soon as you think they should have done) in the early Part of last Year. Are you of opinion that they were induced to do so at the Time, from the Circumstance of their being placed under the Operation of the Act of 1844, or do you think they would have done it under those Circumstances without that Act having been in operation?

I think they would have done it under any Circumstances, exclusively of the Act. I do not see why they should not. But unless I was placed in their Position, as I said before, I cannot be a Judge.

2524. The Bank would have restricted their Accommodation to the Public in proportion as they were apprehensive of their Means failing them to pay their Liabilities in Specie, would they not?

I suppose that would be the Ground of their Procedure.

2525. Then if the Act of 1844 brought them at one Period within One Million of that Difficulty, while if the Act of 1844 had not existed they would have been Eight Millions and a Half off from it, would not it follow that the Act of 1844 imposed upon them greater and earlier Restrictions than if they had been acting under the old System of the Bank of England?

I think it imposed greater Prudence upon us all, upon all Money Dealers, because it was an untried Position that we were coming into. I apprehend that the Bank would be careful, knowing that they were under the Operation of the Act, and pull up in time.

2526. That they would pull up more rigidly under this Act than they would if the Act of 1844 had not existed, and they had been working under the old System?

I should think so.

2527. Do you think it quite clear that the Circumstance of the Bank being compelled to pull up more decidedly must necessarily aggravate the Pressure?

A sudden Pull-up has a much more serious effect than a gradual one.

2528. Does not it depend more upon the gradual Manner in which the Check is applied than upon the Amount of the Check itself?
The same Results might be worked out by a gradual Check and inflict less gratuitous Mischief than by a violent Check.

2529. Is there any Mode, short of that Check, by which Parties who have engaged in Speculations of a doubtful Nature would be induced to retrace their Steps or to give them up?
The tightening of Money is an effectual Way to stop Speculation, there is no Question of it.

2530. Do not you think that if the Bank had begun at an earlier Period applying a Restriction such as they applied ultimately, they might in the Beginning of last Year have mitigated the ultimate Pressure?
I have already said that that is my Impression; but I do not wish to throw any Blame upon the Bank, because I do not know what their Reasons were.

2531. Assuming that the Reserve of the Bank was no higher than it appeared in the Accounts of the early Part of last Year, do not you think that was a Warning to the Bank to put some Restriction upon its Operations?
I think so.

2532. Except with respect to Corn, do you think there was any undue Speculation in the course of last Year?
I think there was Speculation in Cotton.

2533. You said that almost every Kind of Foreign Produce was sold at a great Loss. Do you think that that was in consequence of undue Speculation in that Produce?
It arose from a very large Import, and there not being an equal Consumption to take it off. It appears that Consumption fell off a great deal.

2534. Was not the Fall in Produce very sudden and very large just about the Time of the great Difficulty of the Bank?
It was very severe in October. Produce was almost unsaleable.

2535. What was sold was sold at a great Loss?
At a great Sacrifice in most Cases.

2536. Was not that chiefly by Parties who could not get their usual Accommodation from the Bank?
They had Engagements to meet, and they could not sell their Produce.

2537. If the Bank of England had been in a Condition to give them Accommodation those Persons would not have been obliged to sell their Produce?
They would have been able to hold, and to sell at the Market Price.

2538. So that the Losses incurred by those Merchants were, in fact, very much owing to the Position in which the Bank was placed?
They were aggravated by it.

2539. You have stated that at the Time of the greatest Difficulty Persons applying for Accommodation would have given any Price, seeing that the Question of paying their Engagements or failing in their Engagements depended upon their getting that Accommodation. Was not the same Pressure put upon them, with reference to holding or selling their Goods, that they were obliged to sell them at a ruinous Price for Want of such Accommodation?
A Person who was perfectly solvent, a Man who could pay Sixty Shillings in the Pound, would sacrifice Twenty or Thirty per Cent., without Hesitation upon his Engagements, to prevent Dishonour upon his Name; but he would not repeat the Operation; he would drop the Business.

2540. Looking at the published Accounts of the Houses that failed in Liverpool, do you think that the Bank, if they had not been restricted by the Act of Parliament, would have been justified in granting Accommodation to a large Extent to those Houses?
To many I think they would, but that is a Matter of Discretion. They must have restricted their Accommodation, to some Extent; but to refuse it altogether, or to put it upon so small a Scale that it might be said to be nothing, is another Affair.

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2541. Do you consider that the greater Part of those Houses were in a State of Solvency at the Moment?
The Failure of insolvent Houses would necessarily affect solvent Houses by inflicting Losses upon them.

2542. Whenever there is any great Pressure in the Money Market does not it always bring down first insolvent Houses and then Houses that may be solvent, though their Means and Capital are moderate?
That is the natural Process.

2543. Do not you consider that in Liverpool many respectable Merchants failed and lost their Property, who would have stood if it had not been for the monetary Difficulties of the Time?
Yes, certainly.

2544. You stated that you thought that the Bank had sufficient Warning in the early Part of last Year with respect to its Reserve to induce it to contract its Operations?
But I guarded that by saying that I did not know all the Circumstances in which they were placed.

2545. Assuming the State of their Affairs to be as they were published?
Just so.

2546. Supposing the Bank had been placed under no Restriction with respect to its Issues and its Specie, do you think that the Warning that the Bank had with respect to its Reserve would have been more effectual for securing a sufficient Amount of Specie in the Possession of the Bank than it was for securing a sufficient Amount of Reserve?
I should think that there would have been much greater Danger.

2547. Therefore it is probable, judging from what occurred with respect to the Reserve in the Bank at the Commencement of last Year, that if there had been no Restriction upon their Issues, and no Requisition as to the Amount of Specie they should hold to answer their Issues, they might have reduced their Specie very much too low also?
I presume they might.

2548. Under those Circumstances the natural Consequence would have been that they would have brought the Bank Notes themselves into some Danger?
They might have brought the Country into a very serious Position more rapidly.

2549. Therefore, if that is the Case, is not it a somewhat unfair Presumption to conclude that they might have had the same Amount of Bullion in their Possession, supposing the former System had prevailed, as they had under the existing Restrictions?
I cannot tell how they would have acted, because it would have been a Matter of Human Discretion.

2550. It appearing that they took no Warning with respect to the Reserve, as we find that in April they reduced that Reserve very low, and that again in October it was exceedingly low, may we not fairly infer that if the Bank had been still only One Establishment, without any Separation between the Issue and the Banking Departments, they would also have reduced their Treasure very low?
I think that without the Act of 1844 they might have been in a worse Position than they were eventually.

2551. If they had been in such a Position as to have in the slightest Degree endangered the Convertibility of the Bank Note, would not that have greatly aggravated the Pressure?
I think they endangered it very much as it was.

2552. In what Manner do you think they endangered the Convertibility of the Note?
Because I think they were near bringing the whole Country to a dead Lock. I think the Bank would have had to shut its Doors in a Week, unless the Law had been violated.

2553. Do you mean by the Creation of a Run for Gold?
Yes.

2554. Do you think the Run for Gold could have gone to such an Extent as to abstract all the Bullion from the Bullion Department of the Bank?
My own Impression is, and it is the Opinion of most Men conversant with Money Dealings that I have met with, whose Opinions I respect as a practical Man, that the Bank of England would have been floored in a Week unless the Law had been violated.

2555. Do you mean the Banking Department or the Issue Department?
I think it would all have been done up together. There would have been such a Fright through the Country when once People got to know that the Bank could give no Accommodation, that they would have gone with their Bank Notes and have got Gold. I cannot say what would have been the Result; but my Impression is, the Result would have been a regular Upset.

2556. If the Law had not been violated by the Letter of the Government?
Yes.

2557. You think that the Bank, under the Act of 1844, was very near stopping Payment?
I think there would have been a Panic in the Country which would have overwhelmed the Bank and everything else.

2558. Then how do you think that the Act of 1844 was of any Benefit, as you stated to be your Opinion in a former Answer?
I think it was a Step in the right Direction as assimilating the Paper Currency to a Metallic; but great Discretion must be used in working so fearful an Instrument as that.

2559. You appear to assume that if the Act of 1844 had not been in existence the Bank must have acted improperly and without Discretion?
I think it was very liable to do so.

2560. You think that if that Act had not been in existence the Bank would not have acted with Discretion?
They would not perhaps have acted with so much Care as they did under that Act.

2561. But at the same Time you say they acted with so little Care as to bring themselves within a very near Verge of Bankruptcy?
The Country was very near it, whatever the Situation of the Bank was.

2562. Then, notwithstanding all the Care which the Bank was called upon to exercise under this Act, and the very restrictive Operation of the Act, still the Bank and the Country were nearly brought into a State of Bankruptcy?
I think it was very nearly a Pull-up to all Credit.

2563. Then you must conclude that the Act is an imperfect Act?
I think as far as it goes it is a valuable Step in the right Direction, but I think it is imperfect.

2564. Does not it appear to put the strongest Restriction upon the Bank just at the Moment that the Bank should have Power given to it?
I would not say so.

2565. You stated that it was only by the Relaxation of the Act that the Bank was saved?
Because there was a Panic through the Country; People thought they were in an Iron Cage, and could not get out of it.

2566. What was that Iron Cage?
The Iron Cage was the Act of 1844. The Panic was occasioned by the Two Causes I have mentioned.

2567. By the Bank being under such very limited Powers that they could not act when they ought to have had Liberty to act?
Possibly. They brought themselves into that Condition. It is difficult to say what they ought to have done; it depends upon Circumstances. If the Exchanges were adverse, it would have been perfect Folly to meet an adverse

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Exchange by an Issue of Paper, I apprehend; but if the Panic was caused by the Dread that People could not get Money, and the Exchanges were right for the Country, then an Issue of Paper would do no harm.

2568. Was not that the very Fact, that the Exchanges were in favour, and that there was a Demand for Notes in the Country to carry on Operations?
The Moment the Law was violated there was no urgent Demand for Money.

2569. If the Moment the Law was violated the Relief was immediate, must not the Pressure have been owing to the Existence of the Law from which the Public were then relieved?
The Pressure arose from various Causes. I do not mean to blame the Law. The Law may be good, but it may be so administered that in order to relieve the Effect of it, it must be relaxed.

2570. The Pressure to which you allude arose from Panic?
It did in October.

2571. The Panic was removed and immediately the Pressure ceased?
Yes.

2572. Your Opinion about the Convertibility of the Paper and the Danger in which the Bank and the Public were in that respect appears to amount to this, that you do not consider 8,000,000 *l.* of Reserve sufficient to meet a Run for Gold if the Public being in a State of Panic make a Run for Gold?
No, I do not think it is.

2573. Does not the Law of 1844, with the Provisions of which the Money-dealing Public are well acquainted, give the Public greater Confidence in the Convertibility of the Note than they would have if that Act did not exist?
That was the Object of the Act, and I have no Doubt that Confidence does exist.

2574. And that that Confidence is increased by the Act?
I think very much increased.

2575. Would not a Run for Gold have been the greatest possible Calamity that was within the Range of Probability in the Month of October?
It would. We cannot tell what would have been the Result of it.

2576. Can you imagine any thing that was not very improbable that could so much have aggravated the Difficulties as that would?
It would be frightful to look at.

2577. What Effect had the 7,000,000 *l.* in the Banking Department in preventing Harm and Evil happening to the Bank?
The Knowledge that there were 8,000,000 *l.* in the Bank did not stop the Panic.

2578. Do not the Public know that those Eight Millions in the Bank could not be used?
The Public when frightened do not reason upon those Matters.

2579. But all Persons connected with Money-dealing knew that the Money in the Issue Department could not be taken out for discounting Bills?
Yes. The Banking Department might have stopped its Operations altogether.

2580. You think that if the Banking Department had stopped Payment, it would have produced a Run for Gold?
I do not mean to say that it would have stopped Payment, but it would have stopped discounting.

2581. You stated that if there had been a Call upon the Bank for the Deposits in their Hands, they would not have been able to meet that Call?
I said that the Banking Department of the Bank of England was within an Ace of stopping its Operations as a Bank in granting Discounts; and the Stoppage of the Bank of England for Two or Three Days from discounting or making any Advances would have been followed by Consequences which I am satisfied would have been most awful.

2582. If

2582. If they had stopped their Facilities of Discount entirely, is not the Probability that the Bankers who had Deposits with the Bank would have drawn out those Deposits?
I have no Doubt they would.

2583. So that if with 7,000,000 *l.* of Deposits the Bank had only 1,600,000 *l.* to answer them, it is very possible that, if the Bankers had drawn out a large Amount of their Deposits, the Bank in its Banking Department could not have paid its Deposits?
The Banking Department would then have called upon the Issue Department for Gold. If they were called upon to pay the Deposits they would have paid the Deposits in Gold, because they could not issue Notes.

2584. How were they to get the Gold?
They would call upon the Issue Department for it. It would come from the Issue Department to the Banking Department.

2585. But must not they give Notes for the Gold?
The Depositor comes with a Cheque and demands Sovereigns.

2586. But the Banking Department has no more Power over either the Notes or the Bullion in the Issue Department than it has Power over Effects that are in totally other Hands; therefore the Banking Department, being in Distress, could not have Recourse to the Issue Department any more than it could take Notes or Bullion out of the Hands of perfectly indifferent Persons?
But if the Banking Department is called upon for its Deposits, and has not a Reserve either of Notes or of Gold to pay them, it must call upon the Issue Department, I apprehend, to pay the Deposits.

2587. Might it not just as well call upon you to pay them?
Then they must stop Payment if they cannot do that.

2588. What is your Ground for saying that the Banking Department of the Bank was within an Ace of stopping Payment when the Reserve of Notes was reduced to a Million and a Half; do you think that they had no Power of converting Securities?
They had pressed Exchequer Bills down to 30 *s.*; and a little more Pressure would have brought them down to a very alarming Discount.

2589. Could not they have sold Consols?
They might, but at a very low Price.

2590. Was there not Money coming into the Bank in discharge of Bills falling due almost daily?
Daily, no doubt.

2591. Had not the Bank made Advances upon the Dividends falling due?
I believe they had, at a very short Date, Ten Days.

2592. On the 23d of October the private Deposits in the Banking Department were 8,580,000 *l.*, and the Notes in the Banking Department were 1,547,000 *l.* Now if the Bankers had called upon the Bank to pay them a large Amount of their Deposits, is it probable that that 1,500,000 *l.* of Notes could have paid those Calls by the private Bankers?
No; I apprehend they could have swamped them all.

2593. In that Case the Banking Department would in every Sense of the Word have stopped Payment?
I fancy that the Issue Department is liable for the Deposits.

2594. Do you, as the Manager of a Bank, keep enough Reserve in your Hands to answer the Demands of all your Depositors, supposing a Combination to take place, and that they were to come upon you at the same Moment?
Certainly not. It would be better to give up Banking than to do that.

2595. Is it conceivable or is it likely that any such Combination would have taken place among the Bankers in London to produce a Stoppage of the Bank?
I do not believe that they would have done it for such a Purpose, but I cannot tell what a Panic might lead People to do.

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2596. The private Deposits being 8,500,000 *l.*, if instead of drawing out the whole they had only drawn out One Million, would not the Bank then have been within 500,000 *l.* of stopping?

Yes.

2597. Would not that depend upon what Money was paid in in the meantime?

I understood the Question to assume that no Money was paid in.

2598. But although the Bank of England may have regular Entries of Monies paid in, yet if it continues its Accommodation it will be letting out Monies at the same Time, so that what comes in at one Door will be let out at another. If it did not let out anything, but expected all its Entries to be of Monies coming in, would not that produce the greatest possible Distress in Trade?

Yes, it would.

2599. Will you state what Proportion you think a sufficient Reserve to keep?

I believe it is generally considered about One Third.

2600. Of course that would vary in particular Times?

Yes; that is the Average.

2601. Then if the Bank did not keep that Reserve, you would consider them to have acted imprudently?

I should be sorry to say so, because they might be placed under particular Circumstances; where, for instance, they might be pretty sure of receiving a large Sum of Money in the course of a Week or Ten Days, they might possibly go beyond that Point with perfect Prudence, knowing that they would be right in Ten Days.

2602. Would not they be compelled, in the course of those few Days, to diminish their usual Accommodation to the Public?

There are so many Things that depend upon Discretion that it is very difficult to give an Opinion. I am very anxious to answer plainly and clearly; but it is very difficult to give an Opinion about hypothetical Cases respecting a great Establishment which is liable to so many Claims and so many Influences that I hardly know how to do it.

2603. Suposing that the Bank in the Month of October last, instead of having Eight Millions in the Issue Department, had, under the System which formerly prevailed, reduced their Stock of Bullion to One or Two Millions, what do you think the Effect of that would have been in a Time of Pressure?

I think there would have been a very bad Effect before it came to that.

2604. You have said that in your Opinion the Bank Act of 1844 was a Step in the right Direction; you have at the same Time adverted to some Evils which you think that Act has been instrumental in producing or aggravating. Can you point out any Alterations which in your Opinion it would be desirable to make in the Act?

I think that previously to putting the Bank of England into such a Position as the Act of 1844 placed it in with regard to the Public, possibly the Administration of the Bank might have been altered with some Advantage; for instance, if the Governor and the Deputy Governor were appointed for Life and were unconnected with Business it might have been beneficial; and I am not prepared to say that if the Government had repaid the Capital, or if the Bank had realized its Dead Weight, of which I believe they hold a large Amount, they would not have been in a fairer and easier Position to meet the Exigencies of the Country without that violent Convulsion that followed. These are merely Ideas that have struck me, but I should not wish to presume to propose them as Remedies.

2605. Do you think that by Law any Power of Relaxation ought to be given to the directing Body of the Bank?

It depends upon what the Nature of the Relaxation is. If a Power to do that which was asked for by the Bankers of London, namely, to enable the Government to relax the Law when they thought it right to do it, if such a Power as that had

had been put into the Act, I think it might have had a very beneficial Effect. It is to be hoped that Care would have been exercised not to go too far in an imprudent Course by the Public and by the Bank, although they had a Knowledge that there was a relaxing Power. I think that would have prevented an Approximation to that total Destruction of Confidence which took place in October.

2606. If the Governor or the Deputy Governor, or both, were appointed for Life, do you contemplate that they should be at the same Time elected by the Proprietors, or that the Executive Government should have a Share in their Nomination?

I think that they ought to be elected by the Directors and Proprietors, and probably the Government might have something to say in it; but it is a Matter I am not prepared to answer.

2607. The Loss of Capital and the Loss of Property to the Trade of Liverpool generally has been very great during this Pressure, has not it?

Very great.

2608. Do you consider that the Place has materially lost Capital and Power?

It is poorer, no question of it.

2609. Do you recollect the Periods of 1837 and 1839, and the Distress at those Times?

Yes, I do, very well.

2610. Do you remember 1825 also?

I do. I was then in Manchester.

2611. Do you consider the Pressure and Distress of this last Year greater than in any preceding Cases that you recollect?

I was in a different position in 1847 from what I was in 1825 and 1837 and 1839. I had different Responsibilities, and therefore perhaps my Opinion would hardly be a fair one. But my own Impression is, that it was a more severe Pressure last Year than we ever had before.

2612. By what Criterion do you judge of the Degree of Pressure which took place last Year?

From its Continuity. There seemed to be no End of it.

2613. Should you think the Number of Bankruptcies which occurred last Year any Indication of the Degree of Pressure which took place, as compared with previous Occasions?

Not exactly; because I believe there was an unusual Number of Compromises and quiet Insolvencies that did not appear.

2614. But within certain Limits it would be an Indication, would not it?

Yes.

2615. Supposing you were told that the Number of Bankruptcies in the Year 1826 were One Third more than they were in 1847, do you think that that would be any Indication that the Pressure was more severe at the former Period?

It would look like it.

2616. Do you know what the Number of Bankruptcies during last Year was?

I do not know that.

2617. Will you have the goodness to look at this Paper; you see that the Number of Bankruptcies in the Return in the Year 1847 is 910?

Yes.

2618. Will you look at the Year 1840; does not it exceed that Number?

1,887.

2619. Now look at 1837?

1,954.

2620. That exceeds the Number in 1847?

Yes.

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2621. Here is a Copy of the Number of Bankruptcies, from a Return made to the House of Commons (*the same being shown to the Witness*). Will you state the Number of Bankruptcies that took place in 1826?
3,301.

2622. Do you think that is any Indication of more severe Pressure upon that Occasion than in 1847?
Cæteris paribus it would be.

2623. You observe also in the Return that the Number of Bankruptcies in the Year 1829 amounted to 2,161.
Yes.

2624. Still from your own Recollection of the Two Periods, do you think that the Sacrifice of Property and the commercial Distress was greater in last Year than in any of those preceding Periods?
I have Reason to think so.

2625. Of the Houses that failed in Liverpool, did not a great many liquidate without being made Bankrupts at all?
A great many.

2626. Is not that a Practice which is more common of late than it was formerly?
So I am told, and so I have experienced.

2627. Taking all the Houses that have not paid their Engagements, what Proportion of them should you suppose passed under the Bankrupt Laws, and what under private Agreements?
I have not made a Calculation, but speaking out of Book I should say that but a small Proportion went into the Gazette.

2628. Do you think that One-Third of them did?
I think that would be quite as much as did.

2629. Of those that did not, have many resumed Payment?
Many of them go on without our knowing that they have actually suspended.

2630. Then those are not actual Bankruptcies?
No, but they are Insolvencies. Somebody lost Money by them.

2631. But that is not an Extent of Ruin equal to Bankruptcy?
It may be quite as bad. Sometimes a Bankrupt pays Fifteen Shillings in the Pound, and a Man who compromises pays only Five Shillings. People would rather take Five Shillings than nothing.

2632. But, generally speaking, is not it the Fact that an Establishment which continues after its Suspension cannot be said to have incurred so much Ruin as one which becomes Bankrupt?
But the Creditors have suffered by it.

2633. Generally speaking, would not there be less Loss?
When they Compromise they are released, and they go on in some Cases.

2634. Then if they lose Capital they do not lose Credit to the same Amount?
They lose Credit too. They alter their Business.

2635. Take another Criterion. Do you think that the Fluctuations in the Prices of Public Securities are any Indication of the Degree of Pressure which took place under such Circumstances?
Yes; I think Exchequer Bills are a very good Barometer.

2636. Will you look at this Return, which is contained in the Bankers Circular, which is a Publication very adverse to the present System. (*The same being shown to the Witness.*) Here is an Account of Exchequer Bills from the Year 1825 to the Year 1847 inclusive. What is the entire Fluctuation in the Price of Exchequer Bills in the Year 1847, that is, the Difference between the highest Price and the lowest?
Fifty-two Shillings.

2637. What

2637. What is the Fluctuation in the Price of Exchequer Bills in the Year 1825, as stated in the Return?
One hundred and fifty-three Shillings.

2638. What is the Fluctuation in the Price of Exchequer Bills in the Year 1845?
Fifty-nine Shillings.

2639. Those therefore are all larger than the Fluctuation in the Year 1847?
Yes. In 1845 it was caused by a very peculiar Process.

2640. Now look at the Fluctuations in Price of the Consols in the same Account. In the Year 1847 what was the Difference in the Price of Consols?
In 1847, Fifteen and a Quarter.

2641. What was the Difference in the Year 1825?
Sixteen and Three Quarters.

2642. In 1830 what was it?
Sixteen and Three Quarters.

2643. In each of those Years, therefore, it was larger than in 1847?
Yes.

2644. Are there not Fluctuations and Variations of Price in the Stock Exchange which have no Bearing at all upon the general Commerce of the Country?
I am not conversant with the Stock Exchange. Being in Liverpool, we have no Transactions there. But I have heard of extraordinary Fluctuations on the Stock Exchange, irrespective of the commercial Value of Money.

The Witness is directed to withdraw.

Ordered, That this Committee be adjourned to Monday next, Two o'Clock.

Die Lunæ, 20° *Martii* 1848.

The LORD PRESIDENT in the Chair.

SAMUEL GURNEY Esquire is called in, and further examined as follows:

2645. Do you wish to add anything to your former Evidence?

I wish merely to call the Attention of the Committee to the Fact that at the End of October of last Year the Amount of Bank Notes in the Hands of the Bank was 20,800,000*l.* At that Period there was great Difficulty in getting Possession of Bank Notes in the Money Market. This arose from the Alarm of not being able to get them in consequence of the Restriction of the Act of 1840. At present the Amount of Bank Notes in the Hands of the Public, according to the Return in the last Gazette, is 17,700,000*l.*, but there being now no commercial Alarm whatsoever it is much beyond what is required. There is no Banking House or Money Dealer in London but what has a larger Amount of Bank Notes than they can use.

2646. Does not that arise out of the Fact that in Times of Alarm the Bank Note Circulation which is issued is kept to a certain Extent in the Reserves of the Bankers and other Capitalists, and not parted with for the ordinary Purposes of Circulation?

Clearly that is the Fact, and that is the Tenor of all the Evidence I have given.

2647. Was not the same Principle illustrated in the Year 1825 on the Occasion of a large Issue of Paper Money at that Time by the Bank of England?

Doubtless it was; but I cannot tell the Figures, for they were not published at that Time.

2648. Were there not at that Period considerable Remittances of Bank Notes from London to the Provinces, not so much for the Purpose of entering into the active Circulation of the Country as for the Purpose of strengthening the Reserves of Bankers?

Very large indeed, and for that Purpose.

2649. Did not some of those Notes come back in the same Parcels, unbroken, in which they were sent from London?

To a very large Amount.

2650. Therefore, does it not follow from this that the mere numerical Return of the Amount of Bank Notes which are out of the Custody of the Bank of England affords a totally insufficient Exponent of the active State of the Circulation, without taking into consideration likewise, in addition to the Amount of Notes, the State of the commercial World, and the State of Credit at the Time?

Clearly it is so; you cannot judge by that alone.

2651. Do you consider that the Amount now in Circulation of 17,700,000*l.*, and which you say is now in excess, would be under ordinary Circumstances more than adequate, if adequate, for the Circulation of the Country; or that the present small Demand for the Circulation arises from the peculiar Contraction of commercial Dealings at the present Time?

The Feeling of Surplus that we have under the present Amount of Circulation in the Hands of the Public arises in a large Degree from our present State of great Stagnation. In a State of high Prices and Excitement of Transaction 17,700,000*l.* would give us a Feeling of Restriction.

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2652. Do you think that an Issue on the Part of the Bank of a considerable Amount of additional Notes in October would or would not have had the Effect of bringing the Exchanges back to an unfavourable State, they being favourable at the Time, and apparently justifying an Enlargement of the Circulation?

I think there would have been no unfavourable Effect upon the Exchanges, if there had been a larger Amount of Issue. I think it could not have stopped the Reduction of Prices, and the Return to a favourable Rate of Exchange, whatever was the Amount of Notes issued at that particular Juncture. My Reply applies only to that particular Juncture, and to Periods of similar Character, and not to an extended Period of Time.

2653. But the Issue of the Government Letter showed that the mere Knowledge of the Power to issue more Notes was sufficient to allay the Panic?

It at once allayed the Panic. It was immediately discovered that 20,700,000*l.* was infinitely beyond what was wanted.

2654. The Undertaking on the Part of the Government to sanction the additional Issue had the same Effect as if an actual additional Issue had taken place, there being however this Difference, that the one was not likely to affect the Foreign Exchanges, whereas the other might have done so?

It had the immediate Effect of giving Confidence that we should be able to get Bank Notes; and as soon as we had that Confidence we discovered that we did not want those we had.

2655. It had not the immediate practical Effect of making the Reserves in the Hands of Bankers more available than they previously had been?

Undoubtedly it had that Effect.

2656. Therefore, practically, without any additional Issue on the Part of the Bank of England, the releasing the Notes which were impounded in the increased Reserves of Bankers had the Effect of producing an Action on commercial Credit?

It had.

2657. With regard to the Amount of the Circulating Medium at different Periods to which you have called the Attention of the Committee, might not the Circumstances which you have mentioned, namely, that a certain Amount of Circulating Medium at one Moment might be found quite sufficient for the Wants of the Community, whereas at another a larger Amount was apparently not sufficient for the Demand, occur under a purely Metallic Currency, that is, a Currency without any Aid from the State or Bank Paper?

I presume that the same Principle would apply, whatever was the Character of a Circulating Medium, that in an active State of Transactions it would require more Circulating Medium to perform those Transactions than in a dead State of Transactions, whether the Currency be purely Metallic or Paper. The Principle of requiring more in an active State of Transactions than in a limited one would apply clearly to both States of the Currency.

2658. If limited?

Yes.

2659. You state that the present Amount of Bank Notes, 17,700,000*l.*, low as it is, is still more than sufficient for the Purposes of the Circulation at this Time. Now supposing that at the present Time, instead of seeing a very large Reserve of Notes in the Hands of the Bank, the Public saw a very small Reserve, would not that Amount of 17,700,000*l.* not only become insufficient, but would there not be immediately a Scramble for more Notes?

It clearly would be so. If the Reserve of the Bank was at this Moment very limited, it would give a very decided Increase of Value to the Notes that are in the Hands of the Public, and it would very much increase the Desire to get Possession of them, and the Amount of 17,700,000*l.* would immediately be felt to be inadequate.

2660. So that any Limitation by Parliament restraining the Circulation to a given quantity of Notes out, without reference to any other Circumstances whatever, is always a bad Principle upon which to regulate the Issue of Paper?

It is in my Opinion an injurious Principle. There being such a Limitation very

very much increases the Desire to get Possession of Bank Notes, to the great Harm to the Community.

2661. Supposing the Currency were entirely Metallic, might not the same Effect equally happen, namely, if it were known that the Bank of England had only a certain quantity of Gold Currency with which to discount, would not there be the same Demand for it?

Undoubtedly, if the Circulation was purely Metallic the same Principles would apply. When a Difficulty arises in getting Possession of Circulating Medium, of whatever Character it may be, the Desire to get it increases.

2662. You do not think there would be any Advantages in a purely Metallic Currency beyond what we at present enjoy?

My Opinion is that it would be a great Disadvantage to this Country to have a purely Metallic Currency, that it would very materially limit our commercial Power.

2663. You are of opinion that an unalterable Limitation of the Currency is an Evil?

I do think so.

2664. Do not you think that the maintaining the p erfect Convertibility of the Notes, and the Confidence of the Public in that conv ertibility, is of the highest Consequence?

I think it is of very high Importance.

2665. Have you ever known a Doubt in the Public Mind of the Convertibility of the Notes since the Return to Cash Payments?

In 1825 there was a Desire to get possession of Bullion instead of Bank Notes, and it is well known that the Bank issuing 1 *l.* Notes stopped it immediately. There was a great Run upon the Norwich Bank. It was not upon the Credit of the Establishment, but for Gold against Paper. But on the Supply of 1 *l.* Notes as issued by the Bank it was immediately said, "No, this is not "what we want; if we cannot get Sovereigns we will keep your Notes." The Run did not exist Ten Minutes after those Notes were laid upon the Counter.

2666. But at that time the Bank Note not being a legal Tender in Norwich, the Banker in Norwich could not pay his Customers in Bank Notes; he was obliged to pay in Gold, was he not?

The Banker felt his Credit satisfied by tendering a Bank Note for his own Note, whether it was a legal Tender or not; I presume it was not.

2667. Does not the Fact of the issue of 1 *l.* Notes by the Bank of England upon that Occasion stopping the Run for Gold, prove that there was no Doubt in the Public Mind of the Convertibility of the Bank of England Note into Gold?

I do not think it proves that. Those Individuals who then got Bank Notes would have been glad to have had them turned into Bullion if they had been near to the Bank of England.

2668. They did not think it worth their while to come to London for the Purpose?

No.

2669. Was that the Result which you anticipated from sending down Bank of England Notes at that Time?

I did think it would have a very favourable Effect. But when I am giving this Evidence I am not in favour of a Return to 1 *l.* Notes, though it was very beneficial at that particular Juncture.

2670. But you did expect that Result, that it would stop the Run?

Yes, I did. I believe it stopped the Run through the Country.

2671. Beyond the Danger of Forgery, do you see any evil that would arise from the Issue of 1 *l.* Notes by the Bank of England as a Portion of the Circulation?

My Mind is against an Issue of 1 *l.* Notes by the Bank of England. It had a powerful Effect towards keeping Things in an excited State; and upon the whole I should regret a Return to it.

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2672. Would it not have the Effect of bringing more Gold to London?
Yes; it would have the Effect of throwing the Gold which now circulates in the Country into London in a larger Proportion than is now the Case.

2673. Would you not say that the Gold which circulates in the Country generally in the Pockets of Individuals can be of no particular Service there, whereas it might be of Service in the Foreign Exchanges in London?
On the other hand, there is great Solidity in having our Paper convertible into Gold, and anything that tends to the contrary should be avoided. I think that a permanent Issue of 1 *l.* Notes would endanger the Convertibility of the Note rather than otherwise.

2674. Was not there a considerable Run upon the Bank for Gold about Christmas 1825, independently of any Foreign Demand?
The Demand for Gold upon the Bank of England was very great, by Applications from Country Bankers for their respective Districts.

2675. Do you happen to know to what Point the Bullion of the Bank was reduced at that Time?
Speaking from Memory, I think as low as 500 *l.* or 600 *l.*

2676. Do you think it was as much as that?
I cannot say. I remember the Bank sending round to all the Bankers requesting them to ask for no more.

2677. Do you happen to know whether, at the Time when they determined to issue those 1 *l.* Notes, in point of fact the Gold, though reduced so low in the Coffers of the Bank was beginning to return from the Country Bankers?
I cannot answer that. The Effect of the Issue of 1 *l.* Notes was to bring Gold back directly.

2678. Are you aware whether at the Time when the 1 *l.* Notes were sent down into the Country the Gold was actually returning in considerable Quantities from the Continent?
I cannot call the Facts to my Mind so accurately as to answer that Question. I remember that the Rate of Exchange immediately altered in favour of this Country.

The Witness is directed to withdraw.

G. W. Norman, Esq.

GEORGE WARDE NORMAN Esquire is called in, and examined as follows:

2679. You have been a good many Years a Bank Director?
I have been a Bank Director since 1821.

2680. Can you state, from your Knowledge of Business, what in your Opinion were the Causes of the Pressure upon Commerce that occurred in the early Part of last Year, and subsequently in the Autumn?
I consider that the Causes which produced the Pressure upon Commerce in the Spring of last Year and in the Autumn were the Potato Disease and the Failure of other Crops; the vast Absorption of Capital arising from the Railways, and considerable over-trading in some Branches of Commerce.

2681. What Effect do you conceive that the Act of 1844 had upon that Pressure?
I think the Act of 1844 produced the Effect of keeping Things very much in their natural and legitimate Course.

2682. Do you apply that Answer to both the Periods alluded to in the preceding Question?
Yes. I think to both Periods.

2683. Do you think that the Course adopted by the Bank was the same that it would have been if no such Act had been passed?
No, I do not.

2684. Then must it not have had some Effect upon the Pressure, inasmuch as it had some Effect upon the Bank in conducting their Operations?

Yes. I think that the Act of 1844 produced considerable Effect upon the Management of the Bank, and thus affected the Pressure in point of Time.

2685. Did the Management of the Bank, as superinduced by the Act of 1844, contribute to hasten, to delay, to mitigate, or to aggravate the Pressure?

I think that as respects the Pressure in the Month of April the Act of 1844 aggravated that Pressure, but not injuriously so; but I am of opinion, that as far as regards the Pressure and Panic in the Autumn, it did not produce any Aggravation.

2686. When you state that it did not aggravate the Pressure in April injuriously, do you mean to state that that Pressure was the necessary Consequence of the State of Things, and that the Conduct of the Bank was beneficial in producing this Effect earlier than it otherwise would have occurred?

I think that the Pressure in the Spring of 1847 was natural and beneficial. I do not think that Pressure would have occurred quite so early had the Act of 1844 not been passed.

2687. Can you form any Opinion as to how long it might have been delayed?

No, I cannot.

2688. If it had been delayed in consequence of a different Course being pursued by the Bank, would not its Effect have been even greater than it proved to be?

I believe so.

2689. In the Autumn of the Year do you conceive that there was any Conduct on the Part of the Bank, superinduced by the Act of 1844, which had a corresponding Effect upon the Pressure of that Time?

I think the Pressure in the Autumn of 1847 must have taken place under any Circumstances. The vast Amount of the Foreign Payment to be made must have led to a Contraction of the Currency in England, if the Convertibility of the Note was to be maintained. Besides that, there was a Panic induced by an extensive Insolvency, and the Fear of further Insolvency.

2690. Do you think that the Pressure would have been less if the Rate of Interest had been raised earlier between January and April 1847?

With my present Knowledge of Facts, I certainly cannot doubt but that the Pressure would have been less intense in April, if the Rate of Interest had been raised earlier.

2691. Still less if it had been raised during the Winter of 1846, instead of the sudden Rise in January?

I do not recollect that there was anything in the Autumn of 1846 that could give a fair Ground for raising the Rate of Interest. The Rate of Interest was raised in January.

2692. But in November and December 1846 was it not notorious that there were large Orders for Corn going out in consequence of the deficient Harvest?

There were. But the Bank's Reserve was extremely high, and the Market Rate of Interest at that Time was low. I cannot say that I think there was any sufficient Reason for raising the Rate of Interest before the Time when it was actually raised.

2693. You say that the Pressure must have taken place under any Circumstances in October. Then how can you account for the Pressure being relieved immediately upon the Issue of the Government Letter?

The Government Letter held out a Prospect to everybody of getting something in which they could put Confidence. Looking at what took place in October, I think it is necessary to distinguish between the legitimate Pressure, that which must have occurred with so large a Balance of Foreign Payments, and the Panic which resulted from Insolvency, and from the fear of Insolvency.

2694. You state that there was a Fear of Insolvency. Do not you think that that Panic was brought about by the Fear which Persons were under of not

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not being able to get good commercial Bills discounted by the Bank of England on account of the Smallness of their Reserve?

To the Fear of Insolvency was doubtless added Apprehension arising from the Position of the Bank. In the State in which the Minds of Men were at that Time any thing like a limit alarmed.

2695. And therefore added to the Pressure at that Time?

Certainly.

2696. What do you think would have been the Result if the Government Letter had not been issued, or the Power to issue a further Amount of Notes had not been granted?

I think it is impossible for anybody to say. The Panic was of that Nature that it might have become mitigated in a short Time, or if might have gone on to a much greater Extent.

2697. If it had gone to a greater Extent, would not the Consequences have been very serious?

I cannot say what they might have been. Possibly they might have been less than Appearances at that Time indicated.

2698. Do you think it would have led to a Run for Gold?

I have not the least Idea of that. I think that upon that point we were perfectly safe.

2699. You do not think that if the Panic had extended to the lower Classes that would have resulted?

I do not think there was the slightest Symptom of any thing of the Kind.

2700. Are you in Business yourself?

I have been a Merchant, but I have been out of Business Seventeen or Eighteen Years.

2701. You speak now not from any Experience yourself of the State of Things among Men of Business, but entirely from your Experience as a Bank Director?

Chiefly from my Experience as a Bank Director. I have of course been in the almost daily Habit of associating with People in Business.

2702. You talk of Panic. What was it a Fear of? What were the Persons afraid of who were making this Scramble for Bank Notes or for Specie, but principally for Bank Notes?

Every Man seemed to me to be afraid of his Neighbour.

2703. Was it not from seeing a considerable Diminution in what they called the Reserve of the Bank?

That was one Source of Fear certainly.

2704. When the Reserve of the Bank was actually reduced at one Time as low as 1,176,000 *l.*, and of that little more than One Half was actually in London, and consequently the Bank had not above Six or Seven hundred thousand Pounds before them, was not the Apprehension and Fear of the Public very natural and reasonable?

I do not think it was unnatural; but I myself had never any considerable Apprehension from the Position of the Bank.

2705. If you look to the preceding Weeks of the same Month of October you will find that this Reserve of the Bank had been falling weekly from 3,400,000 *l.* to 3,300,000 *l.*, to 2,600,000 *l.*, to 1,500,000 *l.*, and finally as low as 1,100,000 *l.* Would it not be reasonable for Persons, looking at that considerable Decline in the Reserve of the Bank, to apprehend that if the same Reduction continued for a short Time the Bank would have been obliged to suspend its Payments?

I have stated that I think Apprehension as to the State of the Bank on the Part of the Public was not unnatural. The State of Things, taking them altogether, was extremely formidable.

2706. And was not the Bank in that Condition to excite from the State of its Reserve reasonable Apprehension, at the same Time that it had in truth in its

its Coffers, setting aside the Distinction drawn by the Act of 1844 between the Two Departments of the Bank, about Eight Millions of Bullion?

I have already stated that I think there was a certain Degree of Cause for Alarm, although I myself did not much participate in it so far as the Bank was concerned. It is of course a Fact that the Bank at the Time had Eight Millions of Bullion in its Coffers.

2707. Then would it not follow from that, that clearly the Panic which produced that great Distress which pushed up the Interest of Money to Ten per Cent., and which caused enormous Sacrifices on the Part of all Persons holding Property by forcing them to sell it at whatever they could get, for the Purpose of meeting their Engagements, was, according to your own view of the Case, owing to the Restriction upon the Issues of the Bank by the Act of 1844?

I am not at all disposed to consider that the Rate of Interest was at an exaggerated Height in the Autumn of 1847, there were so many Causes at work to elevate the Rate at that Time. I believe that it was raised no more than was necessary to keep the Circulation in a sound and natural State.

2708. Are you not, from your own Experience as a Merchant, sensible that great Fluctuations in the Value of Capital are very destructive to the ordinary wholesome Trade of the Country?

Of course, it is desirable that the Rate of Interest should vary as little as may be, in the same Way that it is desirable that the Prices of Commodities should vary as little as may be. But I think it is equally impossible to prevent the Rate of Interest from varying greatly as it is impossible to prevent the Prices of Commodities from varying greatly.

2709. Are there not Two Circumstances by which the Rate of Interest is affected, namely, either the profitable Employment of Capital, which may be considered a wholesome Operation upon the Rate of Interest, or, on the other hand, Distress originating from the Operations of a great Body having the Power of issuing in their own Hands, which may be called an unwholesome and undesirable Mode of influencing the Interest of Money? Do not you consider that high Rate of Interest of Money which arises from operating upon the Distress of the Public to be most injurious to Trade?

I consider that the Interest of Money should more properly be called the Interest of Capital, and that the Phrase "Interest of Money" very often leads to bad reasoning and to erroneous Conclusions. It seems to me that the Rate of Interest depends upon the Profit that can be made, or the Loss that can be avoided by borrowing. I also think it inconvenient that the Rate of Interest should be acted upon by unnatural Circumstances.

2710. When it is considered that upon this Restriction being taken off the Bank by the Letter from the Treasury, the Money Market was immediately relieved, and Money became abundant and the Rate of Interest reasonable, is it not a clear Proof that that exorbitant Rate of Interest was not the result of the wholesome Employment of Capital for the Purposes of Trade, but that it was entirely a Consequence of the Pressure of those Operations on the Part of the Bank?

I do not see that that Consequence follows. I am inclined to consider, from all the Circumstances that were in operation last Autumn, that the Rate of Interest fixed by that Letter was not an unnatural Rate.

2711. The Question does not refer to whether the Government were right in fixing that Rate of Interest, but it is simply whether in the Money Market, which regulates the Price and Value of Capital, the whole of that Pressure and Distress was not immediately relieved by taking away the stringent Operation of the Provisions of the Act of 1844?

There can be no doubt but that the Issue of the Letter in a considerable Degree relieved the Money Market, by holding out to Persons the Certainty that they might get Accommodation, whereas before they feared that they should not get such Accommodation.

2712. You recollect the Pressure upon the Money Market in the Years 1837 and 1839?

Yes; tolerably well.

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2713. In those Two Years it appears, by a Return which has been laid before the Committee by Mr. Gurney, that the Variation between the highest and the lowest Rate of Interest in the Year 1837 was Two and a Quarter per Cent., and in the Year 1839 Two and Three Quarters per Cent.; whereas in the Year 1847 it amounted to Six and Three Quarters per Cent., fluctuating from Three and a Quarter to Ten per Cent. Now what was there in the Circumstances of those Three Years which accounts for so extraordinary a Difference between the maximum and minimum Rates of Discount?

I should not have estimated the Difference in the Rate of Interest in the Years 1837 and 1839 as compared with 1847 to have been so great as it appears that Mr. Gurney has done. In the Years 1837 and 1839 the Causes of Pressure were much less extreme than they were in the Year 1847. In the Year 1839 there was little Insolvency of any Kind; and in 1837 there was, as well as I recollect, no considerable Insolvency excepting in the American Trade. Everybody remarked how sound the general State of Trade was in those Two Years. In neither was there any Panic. It is only since the Year 1839 that the Bank has ever lowered its Rate of Interest below Four per Cent. Formerly, when the Market Rate of Interest fell much below Four per Cent., the Discount Account of the Bank became almost nominal. Subsequently, in 1844, the Bank lowered the minimum Rate to Two and a Half per Cent., and introduced the Practice of discounting at more than One Rate at the same Time, according to the Quality of the Bills. That Circumstance, perhaps, explains the apparent Discrepancy in a small Degree. And the remaining Discrepancy, I think, can be fully explained by the extraordinary Pressure and Panic of last Year.

2714. Do you know in what Circumstances the Alteration of the Bank's Rule with respect to discounting originated?

It was thought good Policy on the Part of the Bank to employ a larger Portion of its Funds than under ordinary Circumstances it had been in the habit of doing in the Discount Market.

2715. Was that with reference to the mercantile Profits of the Bank in its Position as responsible to its Proprietors?

That had something to do with it. But I think it was considered generally that the Position of the Banking Department was simply that of any other large Bank, and that, therefore, it was injudicious to maintain a Regulation which in some degree shut out the Bank from competing with other Money Dealers in the Discount Market.

2716. If it was not done with the Intention of increasing the Profits of the Shareholders, had it not that Operation?

That was doubtless one Motive. I cannot say to what Extent it answered in the Way of Profit.

2717. What was the Date of that?

1844.

2718. Will you have the goodness to state whether you connect the high Rate of Interest in the Year 1847, subsequently to the Panic in April and coincidently with the Panic in October, with the Amount of the Reserves which every prudent Banker and every prudent commercial Man felt it necessary to keep under such Circumstances?

Certainly, the Amount of the Circulation was high, at least much higher than on many former Occasions; but the Panic occasioned much hoarding.

2719. Therefore it diminished the Amount of Paper that was actually in Circulation in the Bank, and diminished the Activity and Efficiency of the Circulation?

The Spirit of hoarding diminished the Efficiency of the Circulation.

2720. May not that be referred to consequently as amongst the Causes which increased the Rate of Interest?

Doubtless.

2721. Do you consider that the Necessity of keeping those large Reserves, and the State of public Feeling in the mercantile World, which induced Bankers and Merchants to retain those large Reserves, was connected with the Publication

Publication of the small Amount of Reserve which was at the Disposal of the Banking Department of the Bank of England?

I dare say it was.

2722. That originated from the Act of 1844 did it not?

Yes.

2723. You have spoken of the Issue of the Government Letter. Do you think on the whole, considering the Difficulty and Exigency of the Case, that the Issue of that Letter in October was a wise and a proper Measure?

Yes. With some Difficulty I am brought to the Conclusion, that the Measure was proper on the Part of the Government. The State of Things was such, that the Offer of Accommodation to an indefinite Amount was required. I think it would have been probably useless to have allowed the Bank to issue One Million, or Two Millions, or Three Millions, or, in short, any fixed Amount. An extra Issue, limited in Amount, would have been soon absorbed and hoarded. I cannot possibly say, that even without the Letter the Panic might not have passed over in a short Time. Still, from what I heard and what I saw, I think the Issue of the Letter was quite justifiable.

2724. Are you of opinion that that Letter should have been issued earlier than it was?

No, I am not.

2725. Applying the Question to a specific Period, what do you think the Effect of issuing the Letter during the Pressure in April would have been, as contrasted with its Effect in the Month of October?

I think it would have been most injurious in the Month of April. It would have prevented the Contraction which I believe to have been thoroughly requisite to maintain the Equilibrium of the Currency and protect the Convertibility of Bank Notes. It would have led to an increased Export of Treasure; and on the whole I think it was not required, and would have produced very injurious Effects.

2726. Will you state distinctly the Difference between the Circumstances in April and in October which have led you to the Conclusion that that Measure which worked well and advantageously in the Month of October would have worked ill in the Month of April?

There was no Insolvency and no Fear of Insolvency in April, there was merely severe Pressure. There was for about a Week considerable Alarm, but nothing at all approaching to the Panic in October. I think the Issue of that Letter in April would have prevented that Degree of Pressure which was necessary in order to rectify the Exchanges and keep the Circulation at its natural and proper Amount.

2727. What was the Difference in the State of the Exchanges at the one Period and at the other with respect to the Efflux of Treasure?

The Efflux of Treasure was very rapid up to the Beginning of April, as rapid as I ever knew it. The Pressure that took place stopped it for a Time, and it never became so powerful after April. I believe that if there had not been considerable Pressure and Panic in the Autumn there would have been a great Exportation of Treasure. I judge so from the enormous Amount of Foreign Payment that was to be made at that Time. I believe that the Provisions that were imported in the Autumn Quarter cost nearly 14,000,000 *l.* Sterling. It is probable that the Fall of Prices and the Insolvency of a Portion of the Purchasers might have diminished that Sum considerably, but still a very large Balance must have remained to be paid. I conceive that if the Pressure had not existed with considerable Severity in that Quarter, there would have been again a large Exportation of Treasure.

2728. You allude to a Period anterior to the Issue of the Government Letter?

Yes.

2729. But, practically speaking, in the Month of April at the Time of the greatest Pressure that was then felt, was not there one of the most severe Drains of Gold that the Country has ever experienced?

As far as I recollect I think it was the most severe Drain.

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2730. At the Time of the Issue of the Letter of the Government in October was not the Tendency of the Gold to return, and had not the Bank Advices upon which they relied that the Gold was in process of Remittance, and that they might feel a Confidence that unless it were checked the Gold would return to this Country?

The Bank had received Gold to some considerable Amount, and knew of the probable Arrival of other Amounts of Gold, previously to the Issue of the Letter. The Exchanges were then decidedly favourable. I must say that if it had been otherwise I should have thought the Issue of the Letter perfectly unjustifiable.

2731. Is it your Opinion then that the Action of the Bank may be different, with Safety to the Convertibility of the Note, when the Exchanges are favourable, from what the Action of the Bank ought to be when the Exchanges are unfavourable to the Country?

Yes.

2732. When the Government Letter was issued, although it was not acted upon by the Bank, do you conceive that its immediate Effect must have been and was to release and make more free for Circulation a Portion of the Reserves which anteriorly to the Issue of the Letter were held by Bankers and commercial Men?

I cannot doubt that. We know that the Circulation at the Time, looking simply to its Amount, was rather high than low.

2733. That Operation having taken place, and the Government Letter having been written during a period in which the Exchanges were favourable, will you state whether it had the Effect of altering the Exchanges and diminishing the Influx of Gold, or whether that has gone on steadily increasing from that Time to the present?

The Exchanges have been favourable from that Time up to a recent Period. I cannot say whether they might not have been still more favourable had the Letter not been issued.

2734. The Bullion in the Bank has gone on increasing up to a very recent Period?

Yes.

2735. Then may it not be inferred from those Circumstances that, supposing the Bank to be entirely free from all legal Restrictions, the Rule which should govern the Bank in the Exercise of its own Discretion ought, in Wisdom and in Consistency, to vary with the State of the Foreign Exchanges?

The Bank is to be regarded as an Institution whose Business is divided into the Two Departments of Issue and Banking; the Issue Department works itself, the Banking Department should be managed in Principle like the Business of any other Bank. The State of the Foreign Exchanges is always a most important Indication, which should produce a great Effect upon the Management of the Banking Department.

2736. Do you recollect the Period in 1836 when the Bank of England gave Assistance to the Northern and Central Bank?

Yes; I have a general Recollection of it.

2737. In your Examination in the Year 1840 you were asked, "Are you of "opinion, from the Knowledge which you at present possess of the State "of Circumstances at the Time, that it was expedient that that Assistance "should be given?" Your Answer was, "Yes, I believe it was; the Com- "mittee will observe there was no Danger then from any Foreign Drain, and, "under all the Circumstances of the Case, I believe the Bank acted properly." "Do you conceive it probable that the internal Drain on the Bank would "have been increased if that Assistance had been withheld?—It is possible." Does not that recognize a Distinction between the Course which the Bank ought to pursue in the Case of an internal and in the Case of a foreign Drain?

I see nothing to object to in those Answers.

2738. When the Demand upon the Bank is for internal Purposes, and the Foreign Exchanges are not adverse, do you not conceive that an Increase of Issue may take place without endangering the Convertibility of the Note?

There is an extreme Difficulty in pronouncing, under all Circumstances, when

when a Drain is external and when it is for internal Purposes. I confess that generally speaking I do not think that in the Measures of the Bank the particular Source of the Drain should be much regarded.

2739. You were asked in 1840, "Have the Bank any ready Means of distinguishing between a Drain for Foreign Export and an internal Drain?" The Answer you gave was, "If there is a Demand for Bar Gold we know that "it can only be for Exportation; we judge whether a Demand for Sovereigns "is a Demand for Exportation by seeing the Hands into which they pass. If "they are taken out by Houses engaged in Exchange Transactions, we consider "that it marks their being for Foreign Purposes." Cannot you judge, by a Reference to those Facts to which you there allude, whether a Drain is for Domestic or for Foreign Purposes.

I think not with Certainty. In the Case described in that Answer of course there could be no Doubt that a Drain marked by those particular Circumstances must be a Drain for Foreign Purposes, but I think there are Drains for Foreign Purposes which do not exhibit themselves with such well-defined Features. I have generally observed that before the Period when those marked Circumstances occur there is a Diminution in the Treasure of the Bank which is almost inexplicable, except upon the Supposition that the precious Metals are leaving the Country.

2740. Had not you the Means of correcting your Opinions upon the Subject by a Reference to the State of the Exchanges? If you look at the Exchanges with Paris, Hamburg, and Amsterdam, cannot you judge pretty well where the Bullion is going to?

I am not personally conversant with the Exchanges. Of course I can refer to those who are conversant with them; but I believe there are Operations both in taking Treasure from this Country and in bringing it to this Country which do not pass through the Hands of Cambists and the ordinary Operators upon the Exchange, and that to a very considerable Extent.

2741. When the Foreign Exchanges are against this Country in consequence of any Depreciation of the Circulation of this Country arising from the over Issue of Paper, is not the Remedy by a Diminution of the Quantity of Paper which is in Circulation?

I think, from whatever Cause the Exchanges are unfavourable, the Remedy is a Contraction of Bank Notes.

2742. Do you think that the same Causes produce a Home Pressure upon the Bank, and a Pressure upon the Bank arising from the Foreign Exchanges, or are they different and opposite Causes?

They usually exist together, but may, I think, be distinguished. There may be a Pressure arising from the Diminution of Notes paid off in Gold for Exportation, or there may be a Pressure which is neither more nor less than a Demand for Accommodation at a high Rate of Interest, which may be unconnected with and independent of a Demand for Foreign Payment.

2743. But if the Pressure upon the Bank be for Home Purposes, what is the Effect of a Restriction upon the Powers of Accommodation of the Bank at such a Time; does it tend to aggravate or to lessen the Pressure?

I hardly recollect Circumstances such as are implied in that Question.

2744. For the Purpose of illustrating the Question will you refer to your Evidence before the Committee of the House of Commons in 1840, where, in reference to Circumstances of Home Discredit by Insolvency on the Part of Country Issuers, you stated that you considered that the Danger of Discredit or Insolvency on the Part of Country Issuers would render the actual Separation of the Departments of the Bank an Arrangement which could not be maintained. You were then asked, "Will you explain the Grounds for that Opinion?" The Answer is, "Insolvency on the Part of a large Issuer or of any considerable Number of Issuers of course diminishes the Circulation to a great "Extent, and occasions a Vacuum in it, which Vacuum, under an ordinary "State of Things, would be supplied with Bank of England Notes; but if the "Plan of separating the Departments was adopted, the Vacuum could not be "supplied fast enough to prevent immense Inconvenience, because the Committee will understand that the Bank of England Notes could only be issued "in

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"in that Case upon Gold paid in. Now, taking as an Example the Year "1826, when there was much Insolvency and a very extensive Discredit "applicable to the Country Issuers, and when the Bank of England increased "its Circulation by several Millions within a very short Period, it must be "obvious to the Committee that that Circulation could never have been so "increased if all the Notes had been issued simply upon Gold; and, conse- "quently, had the Plan of Separation existed in 1826, in many Parts of the "Country we must have come to Mr. Huskisson's State of Barter." Now, if you substitute for the "Insolvency of Country Issuers" "a general Pressure "upon the mercantile World, and the Insolvency of a vast Amount of Traders "generally," would not the Consequences be much the same which are described in your Answer?

I think so. I think that the Circumstances to which I alluded in that Answer imply a State of Panic, and whether that State of Panic arises from the Failure of Issuing Bankers or from the Failure of a large Number of Traders, the Results in both Cases are analogous. It is one of those Things which you cannot meet, as far as I know, by any general Rule; you must treat each particular Case as it arises.

2745. A further Question was put to you, "Did a similar State of Things "occur again in the Year 1836? and your Answer was, "Not to the same "Extent; but I doubt whether the Separation of the Departments could have "been maintained in 1836." Then you were asked, "For the same Reasons?" and your Answer was, "For the same Reasons." Those were Cases of internal Panic and internal Alarm, were not they?

I have not now a sufficiently perfect Recollection of the Circumstances of 1836 to be able to pronounce an Opinion upon it. But I say at once that I think you cannot legislate beforehand for Panic, which is in itself irrational, and of which the Symptoms cannot be correctly anticipated. You must treat every Case when it occurs and as it occurs, in the best Way that you can.

2746. In October 1847 the Remedy adopted was that which virtually amounted to a Departure from the Principle of the Act of 1844?

It was, to a certain Extent. I would make here a passing Observation; there seems to me to be a Difficulty in the Money Market of England which lies deeper than any Currency Regulations whatever, and which I think is quite insuperable. It consists in the general Expectation that at all Times and under all Circumstances Persons possessed of Securities which are usually considered valid and merchantable shall be able to obtain Loans upon them at what they consider a moderate Rate of Interest, and in the last Resort the Bank of England is looked to as the Source of such Assistance. Now it appears to me that the Expectation thus pourtrayed is unreasonble in itself. Times may occur, especially under the influence of Panic, when Lenders may not have the Means of satisfying the Demands of Borrowers, and the Resources of the Bank, however great they are, are not indefinite. They must have a fixed Limit somewhere.

2747. While you keep up the Convertibility of the Note?

Yes, while you keep up the Convertibility of the Note. I may here remark, that the Bill of 1844 was intended to assimilate the Issues of the Bank to a Metallic Currency, and so far succeeded. The Panic in the Autumn of 1847 might have occurred with a Metallic Currency, and have required some extraordinary Remedy.

2748. The Operation of the Government Letter in October 1847 having taken place in a Time of favourable Exchanges, do not you think it has shown by Experience that such a Measure may be applied under such Circumstances without endangering the Convertibility of the Note; but that if it had taken place during a Time of adverse Exchanges it would have greatly contributed to endanger the Convertibility of the Note, and to precipitate the Crisis which that Demand for Gold might have betokened?

The Measure of October certainly did not hazard the Convertibility of the Note. I believe that if any Relaxation had taken place in the Month of April we should have had in the Autumn all the Difficulty and all the Evils that we had, and the Chance of a Run for Gold, and Discredit of the Bank Note in addition.

2749. In what State was the Bank in October with respect to the Demands made upon it by the Government for Advances for the Quarterly Dividends?
I cannot without reference state that.

2750. It appears that there were no Deficiency Bills called for?
I believe not.

2751. Supposing at that Period in the Month of October, when the Government Letter was issued, there had been the ordinary Demand upon the Bank for 4,000,000 *l.* of Deficiency Bills in the October Quarter, how could that Demand have been answered consistently with the Act of 1844, the Bank's Reserve being at the Time 1,600,000 *l.*?
Of course it could not have been met if it had come on suddenly; but if the Bank had had sufficiently early Notice of what the future Demand would have been, I have no Doubt but that the Demand might have been met. We should have had some Deficiency Bills and less other Securities. The Public might have had the same Quantity of Notes, and the Bank Reserve might have had the same Amount of Notes as they had.

2752. How would you have met the Demand? What would have been the Proceedings of the Bank?
We must have held less Securities of other Kinds. It is probable that, the Notes with the Public not being diminished, to increase the Government Balances the Excess would have remained in the Money Market, and thus relieved the Bank of a corresponding Portion of the Demand for Accommodation which under actual Circumstances was thrown upon it.

2753. But during the Time when the Bank was in course of Preparation for the Issue which was to take place upon the Quarter Day, must there not have been a great Limitation of the mercantile Accommodation which, under the then existing State of Circumstances, was granted?
I do not see the Necessity for that; the Issue and Return of Notes would have gone on pari passu; there would have been the same Amount of Paper in the Hands of the Public. My own Opinion certainly is, that there is more Importance attributed to Deficiency Bills than really belongs to them. I think, generally speaking, that the Bank can have no insuperable Difficulty in managing the Payment of the Dividends, provided they have sufficient Notice as to the Amount of Advance required; and I am thus of opinion that they might have managed the Payment of the Dividends in the October Quarter with a certain Amount of Deficiency Bills almost as well as they did without any.

2754. Must not they have procured that Amount of Notes either by allowing the mercantile Bills to run off without Re-discount, or by the Sale of Securities? Was there any other Mode?
Or by refusing fresh Discounts and Advances, or by borrowing on Securities. In one of those Modes, I conceive.

2755. You do not think that it must have been done; any one of those Operations would have aggravated the Pressure that then existed?
The Government Deposits would have been less. A Proportion of the Sum which was actually deposited by the Government would have been in the Hands of the Public in some Shape or another, and would have so far met the Demand for Accommodation and lessened the Pressure on the Bank.

2756. And therefore you would not anticipate any Difficulty even in meeting such a Contingency as that?
I think the Difficulty might be met. The Importance of Deficiency Bills as affecting the Management of the Bank appears to me to be exaggerated. I think with due Notice the Bank can always manage the Payment of the Dividends.

2757. Admitting that it could be managed under ordinary Circumstances, do you feel equal Confidence in their Power of managing it at a Time when the Reserve of the Bank was reduced so low as it was in the October Quarter?
It could not probably have been managed in the October Quarter if the Demand came suddenly upon the Bank when the Reserve was already at a very low Point; but I presume of course that the Bank should have had due Notice, and that during the whole of the October Quarter the Bank should have been well aware that they would have a certain Amount to furnish on Deficiency Bills to pay the Dividends.

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2758. Do you conceive that if the Course taken by the Bank upon that Occasion in order to add to their Reserve, and to put them in Funds for the Payment of Dividends, had been the Sale of Public Securities, they could have effected the Sale of any considerable Amount of Public Securities at that Period without Inconvenience?

We could have sold some Public Securities; I cannot form an Opinion how much; but I believe there never was a Time when Sales of Securities were not going on. In giving the Opinion which I have done, I must beg leave to repeat that I assumed that due Notice had been given to the Bank, and that the Bank had thus had proper Opportunity to prepare itself.

2759. You have stated that one of the Difficulties attending our Circulation is an unreasonable Expectation on the Part of the Trade of the Country of being able at all Times to obtain, at a reasonable Rate of Interest, the Accommodation required for the ordinary Transactions of Trade?

I did not mean to refer simply to the Circulation. I think there is an Expectation, on the Part of the Public, that at all Times every body possessing valid and merchantable Securities shall be able to obtain Loans upon such Securities at what the Borrower thinks a reasonable Rate. That I confess is an Expectation which it seems to me cannot under all Circumstances be gratified, because, after all, loanable Accommodation is not infinite, there is a necessary Limit to it.

2760. Are not you aware that it has always been considered one of the most important Duties of the Bank of England, as well as the Bank of France and of the great Banks established in any Country, to keep up a general, equable, and reasonable Amount of Interest of Money, so that it shall not be fluctuating in Extremes from great Depression to great Increase; is not that one important Duty which a great commercial Country requires from its Bank?

I have stated that I am quite aware that the Bank of England is looked to to do that which the Question implies; but I must add, that I think it is quite beyond the Power of the Bank of England to do so.

2761. Do not you think that the Bank has pretty well fulfilled that Duty, while it confined itself within the Limit of Five Per Cent. Interest for Money?

No, I do not. I look to the particular Year 1825; the Panic in 1825 I consider to have been much more severe than that in 1847, and I believe that the Rate of Interest was higher in 1825 than it was in 1847.

2762. But the Bank never charged beyond Five per Cent. in 1825?

The Bank did not, but the Public paid more.

2763. Owing to the Existence of the Usury Laws?

Owing in some Degree to that; but the Pressure was greater in the Year 1825. In 1825 many Houses stopped for a Time under the Influence of Panic, being able to turn nothing into Money, which afterwards appeared to be perfectly solvent, and speedily resumed their Payments. Such an Event hardly occurred in 1847; there were few Instances of Houses that stopped in 1847 who were really solvent. This Circumstance affords almost a Proof that the Pressure in 1825 was very much more severe than in 1847.

2764. Do you suppose that the Loss of Capital amongst the Commercial Body was as severe in the Year 1825 as it was in the last Year?

I have no means of forming an Opinion upon that Point. I may here remark that the Rate of Interest on Loans upon Stock was enormous in 1825, much higher than in 1847.

2765. You mean what is called "Continuation," buying for Money and selling for Time?

Yes.

2766. But in the Discount of Bills and in ordinary Transactions did the Interest rise above Five per Cent.?

I should think so. The Bank charged no more than Five per Cent. But I think that enormous Interest must have been paid in 1825 by Persons not having access to the Bank or not having Bills that exactly met the Condition which the Bank required.

2767. Are you aware that the Bank at that Time made no Discrimination in their Charges upon different Bills?

I am quite aware that the Bank had only One Rate.

2768. They never exceeded the Rate of Five per Cent. for Interest?

Not at that Time.

2769. Since when do you conceive that the Bank has acted upon the new Principle of considering merely its Interest as a Bank in the same Manner as any individual Bank would do without having to care for or to think of the general State of the Circulation of the Country?

I am not aware that the Bank has ever acted exactly upon the Principle of simply looking to its own Interest. I believe, however, that if the Bank takes an enlarged View of its own Interest, that will generally be found to coincide with the public Interest.

2770. Does it take that enlarged View?

I think so; and I think the Two coincide in most Cases.

2771. You think it is as much its Duty now as it was previously to the passing of the Act of 1844 to take that View?

I always consider the Bank as a national Institution, and I consider the Bank bound to look to the national Interest.

2772. You have heard of some Opinions which have been circulated, that the Bank was not bound to be guided by any such Consideration, but that they were to drive the best Trade they could for the Benefit of their Proprietors?

I may have heard such an Opinion expressed. I have stated that I think the Interest of the Bank and the Interest of the Public on the whole usually coincide.

2773. Will you look at the Return of the Bank of the Amount of Gold bought and sold in the Year 1847. Does not it appear that after the Month of April the Gold was evidently coming in in a much larger Proportion than it was going out. Does not that sufficiently show that there need have been no Apprehension on the Part of the Bank of any Efflux of Bullion during the latter Part of 1847?

I think if it had not been for the Pressure there would have been a large Efflux of Bullion during the latter Part of 1847.

2774. Does not it appear from that Paper furnished by the Bank that there was no Efflux of Bullion of any Consequence during the Year, except the large Amount of between Eight and Nine hundred thousand Ounces which went to America?

The Accounts will show the Movements of the Bullion better than any thing I can say upon it. We all know that there was an enormous Balance of Foreign Payment to be made somehow or other. I believe that the Quantity of Corn imported has been valued at 30,000,000 *l.* Sterling, and that must have been paid for somehow or other. I have no Doubt that to those Countries from which chiefly we imported Corn a very considerably increased Quantity of our own Productions were sent; but that would have left a large Balance which must have been liquidated either by the Export of Gold, or by the Sale of Securities, or by Recall of Credits, or an Influx of Foreign Capital, or in some other Way.

2775. But it appears from the Returns that the Exportation of Bullion was almost entirely to the United States of America, and that after the Month of April that became very insignificant. Now might not the Bank, seeing that when the Drain began they had a very large Amount of Bullion, Fifteen or Sixteen Millions, with perfect Safety have let Four or Five or Six Millions of that go out to supply this great Demand for Food, without placing all those Impediments upon the Trade of the Country by the monetary Distress which was afterwards occasioned?

I believe that the chief Exportation of Gold was to America; but there was also a considerable Exportation to Russia, and some to other Countries. I think it would not have been safe for the Bank (supposing for a Moment that the Act of 1844 had been done away with, and the Bank had been bound to nothing but to look at the Convertibility of its Notes) to have allowed the Exportation of Five or Six Millions of Gold without a corresponding Contraction of Paper. I

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think there was quite enough of Foreign Payments to be made last Year to have drained every Sovereign out of the Bank, if no Contraction had been opposed to the Drain.

2776. The Contraction of the Issues of the Bank could not alter the Amount of Payment that you would have to make for Food?

No, but it altered the Mode of Payment; it acted upon the Rate of Interest, and upon the Price of Commodities, and of Shares, and of Stock, and so on. The Contraction, therefore, rendered it possible to make Payments to a very large Extent in other Things than in Treasure.

2777. By lowering the Prices?

Yes, in various Ways. It raised the rate of Interest here, rendering Capital more valuable here than on the Continent, and thus occasioned a Transfer of Capital to this Country. The Effect upon the Prices of Shares and Stocks caused the Transfer of a very large Amount of Securities of that Nature to the Continent, and afforded a Means of Payment. Of course the Effect upon the Price of Commodities altered the Relation of the Exports to the Imports of Commodities.

2778. That was the Effect of the high Rate of Interest during the Year 1847?

Yes.

2779. But it was not necessary that the Panic in October should take place in order that that Effect should be produced?

Not at all. If there had been no considerable Amount of Insolvency in October, and if consequently there had been no Fear of Insolvency, I think that from the large Amount of Foreign Payment to be made in the October Quarter, owing to the large Quantity of Food imported, there would have been a high Rate of Interest and a certain Degree of Pressure, but without any Panic in the Money Market, and that the whole Difficulty would have been got over with comparative Ease. That which distinguished the October Quarter in my View was Insolvency and the Fear of Insolvency, which created Panic. Without the Failures there would have been nothing but Pressure.

2780. Do you think that the Fear of Insolvency was the only Cause of the Panic; was it not also the Fear of not being able to get any more Notes on account of the Smallness of the Reserve?

It began with the Insolvency or the Fear of Insolvency; afterwards of course People looked at the Amount of the Reserve as they would always look at any Limit. Supposing there had been no Contraction in April, I believe that the Gold would have continued to go out, and October would have found the Bank with a low Amount of Treasure, and then the Dread would have taken a different Shape; there would have been a Dread of the Exhaustion of the Treasure, instead of, or in addition to, the Dread of the Exhaustion of the Reserve; but any Limit would have produced that Feeling which the Question refers to.

2781. You come sooner to the End of 8,000,000*l.* than you do to the End of 16,000,000*l.*?

Yes; but I believe that we should not have had above Four or Five Millions had it not been for the Contraction in April. The minimum Amount of our Notes, if I have taken the Numbers rightly, on the 11th of September was 18,655,000*l.*; now the Degree of Apprehension that existed diminished the Efficiency of that Amount of Circulation. If it had not been that in September the Failures had made some considerable Progress, I see no Reason why the Circulation with the Public should not have been reduced almost as low as it was in December 1839, when it was only 15,532,000*l.*, which Sum of 15,532,000*l.* included the Bank Post Bills, and also a Sum of Two or Three hundred thousand Pounds, which has since been written off for lost Notes. So that in order to look at the Matter fairly one should compare about 15,000,000*l.* with about 18,600,000*l.* Now supposing that in the Autumn of 1847 there had been no Panic, that Trade had been perfectly sound, and that People had striven to get on with as small an Amount of Notes as possible, and the Public had been contented with the same Amount of Notes as in 1839, I think we should not have had above Four or Five Millions of Treasure at the very outside in the Bank;

Bank; and that is only enough to render us quite safe against the Discredit of the Note.

2782. You have stated that you think that the Duty of the Bank is to consider the national Interest; but at the same Time you stated that since the Act of 1844, and the Division of the Two Departments in 1845, the Bank Directors have sought other Business in the way of discounting Bills, which before that Time they were not in the habit of doing?

We never before the year 1844 had lowered the Rate of Discount below Four per Cent. It was then thought that the Banking Department of the Bank would be better managed if a greater Portion of its Funds were employed in the Discount of Bills.

2783. Do not you think that the Bank, discounting at the low Rate of even One and Three Quarters per Cent., must have had an Effect upon the Bill-broking Houses, and have induced them, in order to secure Business, to discount at a still lower Rate?

The Bank never discounted lower than Two and a Half per Cent.

2784. In the Return presented here is One and Three Quarters?

That cannot have been in Discount; it must have been an Advance of Money on Securities made for some special Object.

2785. Even at the low Rate of Two and a Half per Cent. do not you think that it must have had rather the Effect of forcing private Discounters to adopt the same Rate, or a still lower Rate, and must have induced Speculation to a certain Extent?

I do not think that, except for short Periods, and under particular Circumstances, the Bank of England can exercise any real influence upon the Rate of Discount.

2786. Did not they lend Money on long East India Bills?

The Bank has been in the habit of making temporary Advances on various Descriptions of Securities, among which long Bills were one.

2787. As the Knowledge of the low Amount of Bullion in the Coffers of the Bank, and the low Amount of the Reserve of the Bank may tend to create Panic in the public Mind, and all the Evils that follow Panic, are you of opinion that upon the whole the Advantages, whatever they may be, of the Publicity now given to the Proceedings of the Bank, counterbalance the Disadvantages?

Yes; upon the whole I am an Advocate for Publicity, not being unaware that occasionally it may be a little inconvenient.

2788. Would not the Absence of Publicity tend to engender private Rumours, which would be upon the whole exaggerated, and more likely to produce Evil than the Publication?

Rumour may be below the Truth as well as above it. I think it best upon the whole to let the exact Truth be known.

2789. Does your Answer apply to the present Form of Return as distinguished from the previous Form of Return, which was given in Averages.

Yes. The present Returns may be inconvenient at Times, but upon the whole I prefer them.

2790. You have stated that the commercial World is apt to look in Times of Pressure for Support from the Bank of England. Was not that Support given to Houses in the American Trade in 1839 to a great Extent by the Bank of England?

It was given in 1837, I think.

2791. Do not you think that tended to make the Insolvency in 1839 much less in comparison than what it was in 1847?

I do not think it did; and it may be fairly doubted whether the Bank acted wisely in giving the Support which it did to the American Houses, and whether upon the whole Good resulted from that Measure; but I believe that altogether Trade, with the Exception of the American Houses, was much sounder in 1837 and 1839 than in 1847.

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2792. If the Bank has been extending its Business to a greater Extent than before since the Act of 1844, would not that make it unable to give the same Assistance to Houses, even if it wished to do so?

The Means of the Bank have not diminished since 1839. Its Capital is the same, and its Deposits are generally much larger; therefore upon the whole the Means which the Bank possess now of giving Assistance must be larger than they were in 1839.

2793. But the Committee have been informed that, in the Country, Branches of the Bank of England were obliged to refuse discounting good Paper of Houses for which they had been always in the habit of discounting hitherto, from Inability?

I am not aware of the Circumstances to which the Question refers.

2794. The Question refers to what took place in October at Liverpool?

I am not aware of any thing of the Sort in October. The Bank was extremely liberal in October. I believe I may say that in October the Bank never refused to discount in London any Bills that came within its Rules, and which were thought to offer adequate Security. I am not aware that there was any particular Restriction in the Country in October. The Bank gave enormous Assistance in some Districts at that Time, indeed it stepped out of its Way to do so.

2795. Is there any Difference in the Rate of Interest charged between the London and the Branch Banks?

Yes; a higher Rate is charged at the Branches.

2796. Since when is that?

I believe it always was so.

2797. After the Experience that you have had of the working of the Act of 1844, are you of opinion that any Alterations, and if so what Alterations, are advisable?

I can give a very unhesitating Opinion upon that Subject. I should consider any Alteration in the Act of 1844 as highly inexpedient.

2798. In the event of the Act of 1844 being so far altered as to admit, under certain defined Circumstances, of any Relaxation taking place, where do you think it would be most safe and consistent with the Objects of that Act that that Discretion should be vested?

I should say at once that I am thoroughly convinced that any relaxing Power, place it where you would, would be abused. I think it would be used too soon.

2799. You think that it would lead to an undue Pressure, which it would be difficult to resist, upon any Body with whom the Discretion was vested?

I think so. If there had been a relaxing Power last Spring I have no Doubt, that in whosesoever Hands that relaxing Power had been placed, the Persons having that Power would have been exposed to a Pressure in April that they could not have resisted, and I think if they had yielded to the Pressure the Consequences would have been very bad. I believe that the Act of 1844 will answer perfectly well on all Occasions, except upon Occasions such as extraordinary Panics, when no Regulations fixed beforehand might be found to answer. The Circumstances of Panic differ very much from Time to Time, and ought to be met by different Measures; and I desire that they should be left to be dealt with by the Executive, when they occur, under its Responsibility to Parliament and to the Public, and that no relaxing Power should be placed by Law in the Hands of any Body.

2800. Do you think that the relaxing Power exercised by the Letter of the Treasury in October is an Illustration of the Principle which you have now laid down?

I have stated that I think that Letter was justifiable. It answered its object perfectly, and better than any other measure, as far as I can imagine, that could have been adopted; but Circumstances may occur when the Measure then adopted might not answer, and when other Measures might answer. For instance, on some Occasions I believe an Issue of Exchequer Bills has been found to answer. It must be recollected that you want in Cases of Panic to supply

supply something in which every Body will place Confidence. Now, last Autumn the only Thing in which they placed Confidence was Bank Notes; but in former Instances they placed Confidence in Exchequer Bills. Last Autumn Exchequer Bills would have been useless, because they were at a Discount.

2801. The only Advantage of an Issue of Exchequer Bills being that it gave the Holder of an Exchequer Bill the Certainty of getting Money, or in other Words Bank Notes, which he would not have had in the present Instance?

Yes. Exchequer Bills, if marketable, bring out the Bank Notes which were hoarded last Autumn, and thus afford the Means of obtaining Accommodation.

2802. What Reason have you to suppose that the Directors of the Bank, if left to manage their Affairs according to their own Discretion, would manage them indiscreetly, so as to get into Difficulties? Why should not they put upon themselves those Restrictions which might become necessary? Why should you distrust their Discretion?

I can only answer for myself. I am a Director of the Bank, and I desire to have a self-acting Test to guide me. I should be extremely sorry to be placed under such Circumstances as to have the Maintenance of the Convertibility of the Note thrown completely upon my own Responsibility, guarded in no Way whatever. I believe that the Distinction between the Issue Department of the Bank and the Banking Department of the Bank is not an arbitrary Distinction, but that it is founded on the Nature of Things; and I think, that if you confound the Departments together, and throw the Means of the Issue Department into the Banking Department, you violate sound Principle and incur great Risk.

2803. Would you make any Alteration in the Proportions in which Silver is admitted by the Act to regulate the Operations of the Bank.

I am unable to give a decisive Opinion upon that Subject; I have never thoroughly considered it. There has been something peculiar in the last Drain as respects the Two precious Metals; it applied much more to Gold than to Silver, being chiefly to America. We did not find Silver so much in Demand as on former Occasions.

The Witness is directed to withdraw.

Ordered, That this Committee be adjourned till To-morrow, Three o'Clock.

Die Martis, 21° *Martii* 1848.

The LORD PRESIDENT in the Chair.

ICHABOD CHARLES WRIGHT Esquire is called in, and examined as follows:

2804. You have been established for some Time in Business in the Town of Nottingham as a Banker?
I have.

2805. How many Years?
Nearly Thirty Years.

2806. In that Capacity have you had occasion to observe the Operation of the Act of 1844 upon the Country Bank Circulation, and upon the Interests of the Country Banks generally?
In our own Case we do not issue Notes, we have ceased from the last Seven Years previous to the Act of 1844, and therefore I cannot so well speak as to those who do issue Notes as an Issuer himself perhaps could do.

2807. Your Bank never has issued Notes?
We used to issue Notes; we issued Notes for nearly a Hundred Years, till we withdrew them, about Eleven Years ago, by an Arrangement with the Bank of England.

2808. Is there a Branch Bank at Nottingham?
No; at Leicester.

2809. Did that Bank in fact take a good deal of the Business you had formerly done?
No; there was very little Change in our Business.

2810. Was it in consequence of that Branch Bank being established that you ceased to issue Notes?
No, before it was established. In fact we suggested to the Bank that there was an Opportunity at Leicester.

2811. Do any of the Banks at Nottingham issue Notes?
All the other Banks beside ourselves issue Notes. Four others.

2812. Acquainted as you are with the State of Business at Nottingham you can probably state what the Effect of that Act was upon the Circulation of the other Banks who did issue Notes at Nottingham?
Their Circulation must necessarily be restricted by the Act; but the Notes they kept out were, I think, to the full Amount that they were allowed to do.

2813. Do you imagine from your Knowledge of the Business of Nottingham that if that Act had not been passed those Banks would have exceeded the Circulation that they have actually had?
I conceive that they would have exceeded it, because the Amount was taken at the Average, at a low Average I rather think, and therefore it would have been extended.

2814. Do you think that the Want of Power to extend it has been attended with any Inconvenience to the Town and Neighbourhood?
No doubt, to a certain Extent, it has. Probably less Accommodation to the Public has been given, as far as the Difference between the Average and the Maximum which they previously issued. Though we have given up issuing

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Notes ourselves, I am not of opinion that Country Bankers have the Power of keeping out Notes at their Option, as has been represented by some Persons.

2815. What do you conceive to be the natural Limitation, independently of the Operation of the Act of 1844, upon the Circulation of Country Bank Notes?

The Check is the Exchanges which take place constantly between the different Banks. I think it has been stated in Evidence on a former Occasion that Country Banks have the Power of putting forth Notes, and keeping them out permanently, which I certainly cannot admit, though I do not issue Notes myself.

2816. Can you explain to the Committee in what Way that Check arising from the Habit of exchanging Notes operates upon each Bank?

I may say that when 1 *l.* Notes were in Circulation, then I am inclined to think it was possible for Bankers to put forth Notes, and to keep them out permanently; but while a constant Exchange takes place, if a Banker does put out Notes to advance Money, which he would be very foolish to do, if he does so advance Capital by Notes, it can only be for a few Days, because if they are not wanted by the Country, they will return into his own or some other Bank.

2817. You said that you thought that when 1 *l.* Notes were issued it was possible for Banks to keep out a greater Number of Notes than the Occasion required. Do you mean when Notes were convertible into Gold at the Option of the Holder?

I speak from Experience of the great Increase that used to take place of 1 *l.* Notes by Bankers. Having been called upon many Years ago to give an Account of the Increase, I remember that it was very large, which induces me to say so. I may be wrong in my Opinion, but certainly there was not that Equality which now has existed for many Years. The Fluctuations, I conceive, for many Years past, since the 1 *l.* Notes were abolished, are very small indeed.

2818. Does that Opinion, whether right or wrong, relate to the Case when 1 *l.* Notes were exchangeable into Gold at the Option of the Holder, or when they were not convertible?

When were they not convertible.

2819. You do not imagine that it would have the same Effect now when they are convertible, that is to say, that the Issue of 1 *l.* Notes would cause the Public to keep more Notes out in Circulation than if only large Notes were issued?

I think the Check of exchanging operates in both Cases, but perhaps not to the same Extent.

2820. Have the relative Proportions of Metallic and of Paper Circulation, since the passing of the Act of 1844, varied much in the Town of Nottingham and in the Neighbourhood?

There has been a great deal of Gold of late in the Town, more than we have wished for. We have in fact paid it away instead of Bank Notes.

2821. To what do you attribute that?

I am not aware of the Cause.

2822. What is your Objection to Gold? Why do you prefer Bank Notes?

I mean to say that we have had more Gold than our Customers desired, and they often would have preferred Notes.

2823. Since when have you had this large Influx of Gold?

It has been the Case occasionally during the last few Months particularly. We have paid away or sent a good deal of Gold lately, since the Panic, to the Branch Bank at Leicester, and I believe the other Banks in the Neighbourhood have done the same.

2824. At the Time of the Panic did you find it necessary for your own Security to lay in an unusual Stock of Gold?

Either of Gold or Bank Notes. Not so much Gold as we used to do, because we do not issue Notes. I think I gave in Evidence upon a former Occasion, that during the Reform Panic we had the full Amount of our Circulation in Gold; but that does not apply to a Banker who is not a Banker of Issue.

2825. How

2825. How many Banks are there in Nottingham that issue their own Notes?
There are Four.

2826. Are you aware whether at the Time of the Panic those Banks thought it right to make Provision by an extraordinary Reserve of Gold?
I have no Knowledge of my own, but I conceive that in prudence they would do so; that all the Banks throughout the Country have done so, and that Fact accounts in a great measure for the Panic.

2827. And upon the Cessation of the Panic this Gold, which had been hoarded during the Panic, is now brought out and returned again to the Bank of England?
Yes.

2828. Has not the Circumstance of many of the Sovereigns when brought to the Bank being found to be light, and a reduction being made in consequence, indisposed People to hold as much Gold as they used to do?
Certainly. At the Time when Sovereigns were called in, People cried out very much; and I recollect that the Loss in light Gold fell especially upon the poorer Classes, the Shopkeepers making them pay 1*s.* and 1*s.* 6*d.* for light Gold in some Cases, and even charging where it was not light.

2829. When you send Sovereigns to the Bank or to the Branch Bank, do not they weigh them all in, and occasionally find some that are light?
Now and then.

2830. Is the Proportion which is so returned at the present Moment any thing considerable?
Not now.*

2831. You have spoken of the increased Reserves which the Issuing Banks in your Judgment would have felt it necessary to keep in the Time of the late Panic. Is that founded upon what your own Experience would have led you to do at the Time when you were an Issuing Banker yourself?
I speak from my own Experience when we were Issuing Bankers, and from our Practice during the late Panic as well.

2832. In a Time of internal Discredit, or as you term it of Panic, must not every Person, and above all a Banker, liable to pay large Sums at once, greatly increase his Reserves?
Certainly; it is right that they should do so to prepare for Demands.

2833. That was the Case in October last?
It was.

2834. What Effect was produced upon those Reserves by the Issue of the Letter from Lord John Russell and the Chancellor of the Exchequer; did those Reserves continue to be maintained at their high Figure, or were they reduced in consequence of that Letter?
I cannot answer what others did.

2835. In your own Case did you feel yourself more at liberty to pursue your usual Course of Banking Operations after the Issue of that Letter?
Certainly.

2836. The Variation from your ordinary Course occasioned by the Panic was the keeping a greater Reserve than you otherwise would have done?
Yes.

2837. You have spoken about the Power of Country Banks to keep out a larger Amount of Circulation, and you have stated that you think that that Power is lessened, if not altogether done away with, by the Cessation of the Issue of 1*l.* Notes; and you have given as the Reason for the Non-existence of the

* On revising his Evidence, the Witness added as follows:—"I find, on Inquiry from our Head "Clerk, that the extra Sovereigns lately received have been chiefly paid away, and heavy ones only "sent occasionally to the Branch Bank, that Banks of Issue have so sent them in larger Quantities, "and that full a Third of the Gold Circulation is light. This Wear and Tear and Loss to the Public, "especially the poorer Classes, on whom it chiefly falls, I consider an additional Argument for the "proposed Substitution of 1*l.* Notes."

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Power of issuing too much Paper, the Exchanges that take place between Bank and Bank. Now in what respect do the Exchanges operate as a Check between Banker and Banker, those Bankers issuing 5*l.* Notes, in which the Exchanges would not equally operate as a Check if they issued 1*l.* Notes in addition to the 5*l.* Notes?

I think I said before that the Check was apparently and in Theory the same, but possibly not the same in Practice. I collect from Experience, that the Fluctuations in the Amount of the Notes of Bankers when they issued 1*l.* Notes were much greater in proportion than when they issued a larger Denomination of Note.

2838. Supposing the 1*l.* Note is convertible, and that there are Three Bankers in any one Place, but One Banker issuing in excess as compared with the other Two Banks, does not that tell at once upon the Exchanges as against the Bank which has put out too large an Amount?

Yes; that is quite in harmony with what I have said.

2839. Therefore, that Principle of Check would operate equally whatever the Denomination of the Note is which is issued by those Bankers?

I have said that it does apparently, but that in fact it appeared to me at the Time of 1*l.* Notes to have been otherwise.

2840. Supposing Prices to be advancing, and a speculative Spirit in Trade, do not you think that the Country Bankers have the Means for a Time of putting out more Notes than the Circulation will require?

I think I have already given an Answer, that there is no such Power.

2841. You have stated that they have not the Power of putting out Notes permanently, but have they not the Power of doing it for a Time as distinguished from permanently?

I should say no; if it is at all it could be only for Two or Three Days at the utmost.

2842. Taking the Case of Three competing Banks, and Prices rising, and a Spirit of Speculation abroad, do not you think that One of those Banks which rediscounts its Bills, and procures extraordinary Accommodation from London, has the Power for a Time of increasing the Circulation within the district in which it acts?

They would be advancing their Capital, not their Circulation; and if they increase their Business and make Advances accordingly, they are taking away the Business from some other Bank, and by that Means they do increase their Circulation, and the Circulation of some other Bank is diminished.

2843. Admitting perfectly that the Convertibility of the Note carries with it ultimately a Check upon undue Speculation, is there not an Interval before the Convertibility of the Note or the Principle of Exchange comes into operation during which the Circulation is increased, Prices are enhanced, and an Impulse is given to Speculation?

I think it is so slight that it cannot be taken into any Consideration.

2844. Do you believe that the same Principle applies to the Bank of England which you have described as applying to Country Banks, or is it the Fact that while the Country Banks are limited and restrained by the Operation of the Causes which you have described from putting out an Excess of Paper, the Bank of England have the Power of putting out an Excess of Paper?

I think there is a great Difference between the Two. I am not aware that there is any Check upon the Bank of England, but any Excess of Circulation will go into the Deposits, and thus assume a different Name.

2845. Is not the Check upon the Bank of England the Convertibility of the Paper? Do you believe that Paper can be put out in excess without leading to a Depreciation of the Paper and a Preference given to Gold?

But I think that the Check of Convertibility does not come into operation till the Mischief is done, till the Exchanges are turned against the Country.

2846. Do you believe that there is not the same Analogy with respect to the Exchanges between Banker and Baker, and that in that Case also, although the Check with the Exchanges between Banker and Banker may come ultimately into effect, in the meanwhile the whole Mischief may be done?

I conceive them to be in a totally different Position. There is no competing Issue with the Bank of England to produce the same Check.

2847. Are

2847. Are you favourable to the restraining Clauses upon the Issues of Country Bankers which are contained in the Act of 1844, which limit them to the Average antecedently fixed by their Returns?

I cannot say that I am favourable to the Mode of taking the Average, because it does not admit of Expansion.

2848. Are you favourable to the Principle of imposing a Restraint upon the Issues of the Country Bankers which is contained in the Act of 1844?

My Idea was, that they should have been compelled to give Security, which they have not done.

2849. Without raising the Question in what Mode the Restraint ought to be imposed, whether by giving Security, or by restraining the positive Amount of the Issues, do you conceive that the State of the Law antecedently to the passing of the Act of 1844 called for the imposing of a Restraint upon the Country Circulation?

At one Time I was of opinion that it did so, according to the Evidence that had been given, but on Consideration I do not think that there was any Occasion for such Restriction.

2850. Will you have the goodness to tell the Committee what you think would have been the Effect upon the Issuing Banks during the Panics of April and of October last, if there had not been a Restriction imposed upon their Circulation?

Their Circulation, unless contracted by Alarm, might have gone to the Extent to which it heretofore had gone, that is, to the Maximum.

2851. But assuming that there was no Maximum in the Way, and that they were left entirely to their own Operations, what do you think those Operations would have been if it had not been for the passing of the Act of 1844?

When I used the Word "Maximum," I mean the utmost Amount that they were in the habit of issuing.

2852. At that Time you are aware that the Interest of Money was very high?

Yes.

2853. Looking at the Transactions of the Years 1837 and 1839, and other Periods when the Interest of Money was high, was not it the Fact that the Country Bankers very frequently availed themselves of those Periods, by increasing their Issues, and thereby turning their Capital to more Account?

I am aware that it was believed that Country Bankers had the Power of filling up the Void made by the Bank of England, upon which Supposition I presume the Alteration in the Law was made; but I think that more Importance was given to that than it deserved.

2854. Practically speaking, looking back to Periods when the Bank of England with reference to unfavourable Foreign Exchanges considered it their Duty to limit their Circulation for the Purpose of correcting an Adverse Exchange, does it not appear by the Returns that at those Periods the Country Bankers and Joint Stock Banks augmented their Issues?

It has been stated so. Whether those Calculations were correct I do not pretend to say.

2855. Those Calculations you are aware are formed upon the Tabular Returns furnished by the Stamp Office.

Yes.

2856. Supposing the Act of 1844 had not been passed, and such a Course had been resorted to by the Country Bankers, and that at the Time when the Bank of England had limited its Circulation (assuming that it was wise in so limiting it) the Country Bankers had augmented their Circulation, what do you think would have been the Consequence, first with reference to the Foreign Exchanges?

It was supposed that the increased Issues of Country Bankers affected the Exchanges.

2857. Is that your Opinion?

I am of opinion that Country Bankers, till they were restricted, certainly did not curtail their Issues in the Way in which they have been compelled to do since.

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2858. Do you think that the Effect of the Act of 1844 had been to compel them to curtail their Issues under Circumstances under which but for the passing of that Act they would have extended their Issues or kept them unchanged?

I think that Country Bankers who understood the Act and had the Fear of the Act before them would naturally do so.

2859. If in a certain District of Country a certain Quantity of Bank Paper is wanted for its Circulation, supposing any Pressure or any Panic or Distress of any Kind to exist, if Bank Notes are withdrawn that would necessarily give an increased Circulation of Country Paper, or if Country Paper were withdrawn it would give increased Circulation to the Bank of England Paper, would not it?

It did so.

2860. There is a certain Quantity of Bank Note Paper required for the ordinary Business of the Country?

Certainly.

2861. You have stated your Opinion that it is not possible to any great Extent for Country Bankers to keep out Paper beyond what the Circulation of the Neighbourhood may require?

It may fill up the Void, if the Bank of England Circulation is reduced, but merely to the Extent required for the Wants of Trade.

2862. And therefore that would be a Proof in that Case that Trade really did require that Addition of Country Bank Paper in lieu of the National Bank Paper?

Yes.

2863. You are bound, under an Agreement with the Bank of England, to circulate their Notes?

We were so; but by a Clause in the Act of 1844 the Advantages which were held out to the Country Bankers and to the Public were taken away.

2864. What Agreement had you before that Time with the Bank of England?

The System was either a Discount Account, or a special Agreement, which latter was the Case with us; but soon after the Act of 1844 was passed the Bank of England said, "There is an End of the Arrangement."

2865. At what Rate did they furnish you with Bank Notes?

The usual Rate was Three per Cent. Discount Account. It was not so with us, because we had far more favourable Terms made.

2866. Have you any Objection to state what your Terms were?

I have no Objection on my own Part; I have nothing to conceal. Ours was a Loan for the Amount of our Circulation, with a Maximum and Minimum, the Maximum being 50,000 *l.* We were some Years before we agreed to abandon our Notes, and at last it was arranged, upon the Terms of our having an Amount lying in our Hands, without Interest, to the Extent of 10,000 *l.* for Stock. One of the great Advantages of the Country Bankers Circulation is, not the Number of Notes out, but having the Notes by him in case he wants them; and in giving up our own Notes, and taking the Notes of the Bank, we said that it would be a great Weight upon us to be obliged to keep from Ten to Fifteen or Twenty thousand Pounds in hand; and we were allowed 10,000 *l.* without Interest.

2867. And a certain Sum beyond that with Interest?

Yes, to the Extent of 50,000 *l.* at Three per Cent.; and we were allowed a Commission of 350 *l.* a Year for the Expense and Trouble of obtaining Notes from Birmingham, and they transacted nearly all our Business for nothing, so that the Agreement was very favourable to us; instead of being Three per Cent., it amounted upon the whole to between One and Two.

2868. You say that the Maximum which you were allowed to have under that Agreement was 50,000 *l.*; what was the Minimum?

£43,000.

2869. That

2869. That Arrangement was prior to the Act of 1844?
Yes; Seven Years.

2870. You had an Advance of 60,00*l.*, for which you paid Interest at Three per Cent. upon 50,000*l.*?
Yes. It did not really cost us Two per Cent.

2871. And the further Advantage of a Payment of 350*l.* a Year by the Bank?
Yes; the Bank transacting almost all our London Business without Charge.

2872. For that Compensation and Allowance on the Part of the Bank you gave up circulating your own Notes?
Yes.

2873. How was that Arrangement interfered with by the Act of 1844?
As soon as the Act passed, we were informed by the Bank that there was an End to the Arrangement. I am not aware what other Bankers have done under the Circumstances, but we were called upon to come to other Terms, and all our Advantages were withdrawn, with the Exception of having One per Cent. allowed for our Circulation, which was 500*l.* a Year.

2874. Estimating your Circulation at 50,000*l.*?
Yes. We remonstrated upon the Injustice of being precluded by the Act from resuming our Circulation; we remonstrated with the Bank of England upon their unfair Conduct; they told us, you must go to the Government. A long Correspondence ensued, which produced nothing in the End. We were called upon to come into their Terms, to pay Four per Cent. for a Term of Years for the Amount of our Circulation—on 50,000*l.*

2875. Whatever the Amount might be?
Yes.

2876. Then at the present Moment your Position with the Bank of England is this, that they still pay you 500*l.* a Year, and that you have 50,000*l.* at Four per Cent?
No. I mention this to show that the Advantages which were held out to Country Bankers and to the Public ceased to be carried out; and that will appear from the Representation which is given of my Evidence contained in the Pamphlet which I hold in my Hand, which is a Speech made in the House of Commons in 1844. The Advantages which were held out in this Speech were withdrawn, and therefore, so far, the Act was obtained unfairly I must say.

2877. For what Term of Years have you entered into this fresh Agreement?
I have not entered into a fresh Agreement; for on being called upon to pay Four per Cent for a Term of Years when Money was worth only about Two and a Half, we paid off the Bank of England the whole Amount, which certainly is not in harmony with this Speech of the Chancellor of the Exchequer, representing that great Advantages would ensue to the Public as well as to Bankers in point of increased Accommodation by their abandoning their own Issues.

2878. So that you paid off the Bank of England at a Period when the Rate of Interest was low, thinking it more for your Advantage to do so than to pay Four per Cent. for the Money?
We should not have thought it creditable to have done so.

2879. The Bank did not offer to resume the former Course of Things when the Interest rose above Four per Cent., did they?
No.

2880. You have no special Arrangement with the Bank of England now?
Under the Act we merely receive One per Cent.*

* On revising his Evidence, the Witness added as follows:—"The One per Cent. is on the "Amount of our former Circulation, and not, as the next Question assumes, (and which escaped "me,) 'on the Notes put into Circulation;' the Act intended the Commission to be so paid, viz., "upon 'the Notes put into Circulation,' and kept out on an Average. This would have entitled "us to above double the Remuneration we receive, as we keep out above a Hundred thousand "Bank of England Notes; but the Bank of England has interpreted the Act in her own Favour."

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2881. For the Notes of the Bank that you put into Circulation?

Yes. This is the Speech of Charles Wood, Esquire, in 1844, wherein my Evidence before the former Committee is quoted. He says, "I will now quote "the Evidence of a Gentleman who had given up his own Circulation, and "substituted for it the Notes of the Bank of England on the System which I "have mentioned. Mr. Wright of Nottingham was asked, 'Do you conceive "'that it has in any way limited the Accommodation which you have the "'Power of affording to your Customers?—Not at all.' He then states gene- "rally, 'Demands for Accommodation increase at particular Times, both to "'agricultural and commercial Customers.' We are quite as well able to "'supply these increased Demands as when we used our own Circulation. "And he is then asked, 'And you do not find yourselves embarrassed by not "'having the Power of making increased Issue in your own Notes?—Not at "'all.' The Effect of the Measure from which Restriction is anticipated is "in reality increased Power of Accommodation; and the only Evil is stated "to be that Bankers were enabled to be more, not less, liberal from adopting "the Use of the Notes of the Bank of England. I think, therefore, that the "Agriculturists need not be alarmed at the Prospect of any Injury being done "to them by the Limitation on Country Issues. If this Evidence is to be "believed, the Change would operate to their Advantage." I mention this to show what the Result has been; instead of increased Power of Accommodation, the Result has been taking away the Advantage which the Country Bankers and the Public had before.

2882. The Bank induced you to give up the issuing of Notes in consideration of their advancing you 10,000*l.* without Interest, and giving you 350*l.* besides, and advancing you 50,000*l.* at Three per Cent. So that in point of fact you had the Use of 60,000*l.*, and you paid Three per Cent. not on 50,000*l.* but upon less than 40,000*l.*, because the 350*l.* was more than Three per Cent. Interest upon 10,000*l.*?

Yes.

2883. Then you, having given up the Power of your issuing Notes as soon as the Act of 1844 had passed, under which you could not resume the issuing of Notes, the Bank put an End to the Agreement, and as you had no longer any Equivalent to give them, they asked you to give them Four per Cent. upon the whole Amount of Notes that you received?

Yes.

2884. Was the Evidence which you have quoted given at the Time that the former Act was in existence?

My Evidence was given before the Act of 1844.

2885. What is the Date of the Speech that you are now quoting from?

This is the Speech of Charles Wood, Esq., upon the Debate on Sir Robert Peel's Resolutions on Banking, on Monday, the 20th May 1844.

2886. What is the Date of the Evidence that is ther quoted, which you have now read?

It does not give the Date; but it was Evidence given before Sir Charles Wood's Committee. I was examined by him on that particular Point. He goes on in this Speech to say, "I am aware that there is a very general impres- "sion that the necessity of doing so" (that is, of Country Bankers using Bank of England instead of their own) "would materially curtail their Means of "assisting their Customers. But nothing is more remarkable than the very "strong Evidence which is given on this Point in the Case of Country "Bankers who now act with Bank of England Notes, and which entirely "contradicts any such Notion. The Practice of such Bankers is, that they are "entitled to have a certain Amount of Bank of England Notes." When I read this I thought we were so "entitled," and that therefore the Agreement ought to have been continued. I repeat the Quotation: "The Practice of such "Bankers is, that they are 'entitled' to have a certain Amount of Bank of "England Notes on depositing approved Bills of Exchange, with the Power of "demanding some Addition on the same Terms."

2887. Did you read that Speech before the Bank Act of 1844 passed?

I conceive not, for I found this, among other Pamphlets, only a very short Time

Time since, uncut, and I was not aware that my Evidence had been made use of to this Effect. I was not aware of this Speech.

2888. Previously to the passing of the Act of 1844 there were a great Number of Country Bankers in London, and they had frequent Conferences with Sir Robert Peel and the Chancellor of the Exchequer upon the Subject. Were you present upon any of those Occasions?

Not being a Banker of Issue, I never attended or considered myself allowed to attend such Meetings.

2889. Was not there a general Meeting of Bankers of Issue previously to the framing of the Act of 1844?

I think there was, but I was not cognizant of it.

2890. Had you foreseen the Effect of the Act of 1844 would you have given up your own Issues?

Certainly not.

2891. Have any Banks given up their own Issues within your Knowledge since the Act of 1844?

I am not aware of any.

2892. You gave up your Issues in the Expectation that the Arrangement which you made with the Bank of England would be permanent?

That it would be permanent, or that we should be allowed to resume our Issues. The Reason of my mentioning this, as the Committee called upon me to do, is that it is unfair towards the Country to have acted in this Way, because it is a great Inconvenience either to the Bankers or to the Public. If we had not had the Means we must have curtailed our Accommodation to our Customers to a great Extent.

2893. With reference to the Amount of Reserve which you think it prudent as Bankers to hold against Calls upon you, do you consider that a larger Proportion is required if you are Issuers of Notes than is required to meet the Case of ordinary Depositors?

Certainly. Our Liabilities were larger by the Amount of our Circulation.

2894. Taking the same Amount of Liabilities in each Case, supposing 50,000*l.* of Depotits in your Hands or 50,000*l.* in your own Notes out against you, should you think that the Reserve for the Purpose of meeting your Notes to that Amount should be greater than would be necessary for the Purpose of meeting the same Amount of Deposits?

When we had Liabilities in the Form of Issues as well as Deposits we must prepare to meet both. We have only one now, which are Deposits.

2895. Supposing you had an Amount of 10,000 *l.* Deposits, and also an Amount of 10,000 *l.* Circulation, and that a Time of Pressure came, upon which of the Two Amounts do you think the most active Demand would be made upon you; would it be for the Return of Specie for your Notes, or for the Withdrawal of your Deposits?

It depends upon Circumstances entirely.

2896. Do you think that the Class of Persons having Deposits in a Bank are as likely to be acted upon by Pressure or Alarm as the Class of Persons having Notes of the Bank?

During the 1 *l.* Notes certainly the Pressure was upon the Notes; and in a former Panic, that of 1836, I recollect congratulating myself and some of my Friends that we did not issue Notes during that Panic.

2897. Assuming in either Case Liabilities to the Amount of Ten or Twenty or Thirty thousand Pounds, if that Amount of Liabilities is represented by the Issue of Paper payable on Demand, is not the Demand upon the Bank more likely to be intense and felt than if it was Ten, Twenty, or Thirty thousand Pounds represented merely by Deposits?

I should think that under the Limitation imposed upon the Country Bankers there would be a less Call upon their Circulation, because, as far as I can judge by Experience, I see that the Country Bankers Notes, are generally out to about the full Amount. I am not aware that they have been

curtailed during the recent Panic from Discredit, as in 1836, and therefore I presume that the Demand has been upon their Deposits rather than upon their Circulation.

2898. Was the Pressure no greater on the Banks that issued, or upon the Banks that merely had Deposits?

I am not aware of that. I cannot speak for other Bankers, but I judge from the Returns that there has been no great Demand upon the total Amount of the Circulation.

2899. Can you form any Estimate what might be the average Amount of the Sums in Deposit with your Bank?

I cannot answer that.

2900. Would it exceed 100 *l.*

I could only give a vague Guess.

2901. If there is a Demand for Money arising from a high Rate of Interest of Money, and consequently great Opportunities of favourably employing Capital, supposing no Discredit to exist with respect to a Country Banker, then his Deposits would be called for, and not his circulating Notes?

I think that there no doubt has been a Call upon Country Bankers for Deposits, but that has not been from the Alarm which is assumed in the Questions which have been put to me, but arising from the Opportunities of employing Money advantageously in Railways. I think there is a Fallacy in the Questions that have been put to me, in supposing that the Demand for Deposits has arisen from Alarm and Panic.

2902. That State of Things which affords a favourable Employment of Capital, and which occasions a Demand upon your Deposits, would not affect the circulating Paper at all?

Not at all.

2903. You have stated that a Demand for Railway Investments would produce naturally a Drain upon Deposits under certain Circumstances; does not that arise out of the higher Rate of Interest which Parties anticipate that they can get by Railway Investments than that which they get upon their Banking Deposits?

Certainly.

2904. Then is not the Consequence of any very high Rate of Interest in the Market to produce some Effect upon Deposits with Banks, unless the Amount paid to the Depositors varies with the high Rate of Interest in the Market?

Certainly.

2905. Have you ever known the Rate of Interest much higher than it has been in the course of the Year 1847?

I never knew it so high.

2906. Do you not connect with the high Rate of Interest which existed in the Year 1847 the necessary Consequence of a Tendency more or less to withdraw Deposits?

It may be to a certain Extent, but we are perhaps confounding the Two Things, high Rate of Charge for Discounts, and an Opportunity of Investment in Railways.

2907. If from any Cause Parties having Deposits in Banks for which they received Two or Three per Cent. have the Power of profitably investing that Money at Six or Seven, must there not be a Tendency to withdraw Deposits upon which they only receive the lesser Interest in order to invest them where they can receive a greater?

I think that is the same Question that I answered before. Certainly it must be so.

2908. Do you connect the high Rate of Interest which prevailed in the Year 1847 in any respect with the Operations of the Act of 1844?

Certainly I do.

2909. Do you connect also the Fluctuations in the Rate of Interest as well as the high Rate with the Act of 1844?

I attribute in a great Measure the Panic, and also the high Rate of Interest, to the Act of 1844.

2910. In what respect do you connect the high Rate of Interest and those great Fluctuations in the Year 1847 with the Act of 1844?

The Gold having quitted the Country under the Act of 1844 caused the Bank of England to increase the Rate of Interest and to reduce the Circulation, and caused Alarm and Panic, and consequently increased the Rate of Interest.

2911. You assume that the Gold quitted the Country under the Operation of the Act of 1844. Will you explain how you conceive that the Act of 1844 caused the Gold to quit the Country?

The Gold being called for to pay for Importations of Corn.

2912. How is that connected with the Act of 1844? Would not the Gold have equally been carried out of the Country to pay for Corn if there had been no such Act of 1844?

In answer to that Question I will beg leave to read a few Remarks which I have hastily written upon this Subject, partly taken from a Pamphlet not published, and partly from one which I published the other Day. "Formerly "when Eight or Ten Millions of Gold was required on the Occasion of a bad "Harvest, the Store of Gold in the Coffers of the Bank of England was allowed "to flow out. This Export of Gold causing a Reaction and increased Demand "for our Manufactures, a Stimulus was given to Trade, the Industry of our "Workmen filled up the Gap made in the National Capital, and brought back "the Gold we had temporarily lost. But an Experiment has been recently "tried in the Enforcement of a Law which the Bank of England never dare act "upon till compelled, for Fear of ruining the Country. This Law destroyed the "Power which England possessed to right itself; Gold is forbidden to be "exported without a corresponding Reduction in the Paper. The Law says, "our Gold shall not quit the Country to answer an accidental Demand on the "Occasion of a bad Harvest, unless the Paper Circulation, the Life-blood of the "Country, is reduced in the same Proportion. To effect this the Bank of "England is enjoined to create a Panic, and by making Money scarce, and the "Prices of manufactured Goods immoderately low, attract Gold from Foreign "Countries. The Consequence of this Bank Pressure, in Refusal of Discounts "and Contraction of the Circulation, is necessarily the selling up of the Manu-"facturer, who has prepared his Stock for the usual Buyers, or if he had sold "them he finds that the Bills he has received are not negotiable. He must "meet his Engagements; his Goods are sold at any Price; the Gold that had "crossed the Atlantic returns to buy the tempting Bargains; thus commercial "Distress is accomplished. The Funds also and other Property being greatly "reduced, a Temptation is offered to Foreigners to make Purchases, and Gold "flows back into the Country. All this is accomplished at the Expense of the "English Nation."

2913. You said that the Gold could not go out without a corresponding Reduction of Paper. Do you mean to say that the Bank did contract its Issues last Year very much?

It should have done, or was intended to have done, according to the Law of 1844; but as fast as the Bank contracted their Issues, Depositors drew out their Deposits, for which the Bank issued Notes, so that the one was a Set-off against the other.

2914. In point of fact the Amount of Paper Circulation was not diminished?

It was not diminished more than the Chancellor of the Exchequer stated in his Speech, a Million and a Half.

2915. What was the lowest Circulation which you consider to have been produced in that Way?

I think it was something about 17,000,000*l.*; but I speak from the Admission of the Chancellor of the Exchequer in his Speech, when he declared that the Circulation had not been reduced, and that therefore the Reduction of the Circulation could not be the Cause of the Panic.

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2916. The Amount of the Circulation is published in the official Returns, is not it?

Yes.

2917. Do you consider that the Paper Circulation of the Country was insufficient last Year?

I think it was declared by many People, and I think by the Chancellor of the Exchequer among others, that during the Panic there was not a Want of Circulation, but a Want of Capital. Now I must say humbly that I differ from that. Capital had not perished, but there was a Want of Circulation to represent that Capital.

2918. You have said that there was a considerable Export of Gold to purchase Food. Do not you consider that as the Export of so much Capital?

Certainly.

2919. Was not the Absence of so much Food the Absence of so much Capital in comparison with the Capital of the Country in other Years?

But I have stated that formerly the Bullion which was in the Bank of England was allowed to flow out, whereas under the Act of 1844 they were called upon to draw in Gold by some Means or other from Foreign Countries.

2920. You said that in former Years the Industry of British Workmen replaced Capital. How did the Act of 1844 in any way cripple the Energy and Industry of British Workmen last Year to replace the Capital which went to purchase Food?

They could not execute Orders. In many Cases they could not get their Bills discounted. I speak from Experience. Customers used to come for increased Assistance, and I said, "No, the Law forbids me now. You must turn out your Hands. I cannot assist you any longer, under the Law of 1844."

2921. In what Trade was that?

Lace Manufacture.

2922. Do you consider that at that Time the Profits of that Trade were so great and have so continued since that it would have been safe for you to have made those Advances?

I do not consider that under the Act of 1844 we were justified in coming forward to assist the Country as we had done heretofore, with the Dread of that Act hanging over us.

2923. Do you mean that you actually refused what you considered to be perfectly safe Paper, in consequence of that Act?

I do not mean to say so, but we avoided discounting except for our Customers. We did not increase our Rate of Interest, thinking that that high Rate was usurious, and that we were not justified in charging it; that as we did not pay more, and had not increased our Rate of Interest for Deposits, we did not think it was right that we should charge more; and Money being more profitable in London, and we obtaining more Interest in London on Demand than we were charging in the Country, it was not likely that we should step out of our Way to discount Bills offered to us beyond the usual Demand of our Customers. At such a Time we had many Bills offered to us by other Parties who had not been in the habit of discounting with us, which we declined.

2924. Are you acquainted with any Case in which the Bank of England really refused perfectly good Paper?

I thought it was notorious. I have not asked the Bank of England to discount any myself, therefore I cannot speak to it.

2925. Have you a Branch Bank of England at Nottingham?

No, at Leicester.

2926. Do you know what has been the Conduct of that Branch Bank during the Pressure; did they refuse any Paper?

I am ignorant what they did.

2927. Are you aware that on the 17th of April last Year the Paper Circulation amounted to 20,222,000 *l.*?

If so, the Bank of England had not done, I presume, what they were required to do by the Act.

2928. Is it your Opinion that the Act of 1844 was at any Time violated by the Bank of England last Year?

Power, I understood, was given to them to violate the Act by the Letter of the Government, but that they had no occasion to violate it.

2929. In short, you attribute the Difficulty of Parties who wished for Discounts, in obtaining them, to an Insufficiency of the Paper Circulation of the Country?

Yes; the Amount might have been the same, but it did not circulate, it was hoarded.

2930. Do you think that increasing the Circulation of Notes would have given increased Confidence to the Country?

Certainly; it would have given what was wanted to the Community. During an Alarm it requires twice as much Circulation as in ordinary Times, because the Circulation is hoarded by Bankers and others.

2931. The Reason for Parties hoarding is from the Fear of not being able to obtain Notes?

The Fear of not being able to obtain Notes; that the Bank of England will put on the Screw according to the Law to the utmost, and they do not know when it will stop, and, therefore, they hoard Notes from the Fear that they shall not be able to obtain them.

2932. But the Knowledge of being able to obtain Notes, if they want them immediately, causes Parties to cease hoarding?

Yes.

2933. That was the Case after the Letter of the Government?

Exactly.

2934. A Question was put to you, whether on the 17th of April there were not Notes out to the Amount of 20,200,000*l.*, the Question evidently intending to imply, that with that Amount of Notes out there could be no Deficiency of Bank Notes in Circulation. Now, though at the Time there was that Amount of 20,200,000*l.* of Notes out, there was great Scarcity and great Call for Notes everywhere; yet at the present Day we have had Evidence given before this Committee, that the whole Amount of Notes out is only 17,700,000*l.*, and that with that small Amount of Notes out there is more Bank Paper than is wanted. Is not that a clear Proof that the precise Amount of Bank Notes out is no Criterion by which to judge of the Accommodation required by the Trade of the Country?

That is, in fact, the Answer I gave before.

2935. Your Opinion is, that when there is an Export of Gold to the Amount of Ten or Twelve Millions, as may have been the Case in the last Year, it is advisable for the Bank so to increase its Issue of Notes as to keep up the Amount of the Circulation in this Country, and not to allow it to be lessened by that Export of Gold?

Certainly; it is desirable that it should not be lessened but rather that it should be increased under such circumstances, because the Amount of the Circulation out is no Criterion of the Wants of the Country.

2936. How do you reconcile that with the perfect Security of the Convertibility of the Paper Currency?

That I admit it is difficult to do; but the Question is whether it is desirable to preserve what is called "Convertibility," or to ruin the Country.

2937. Then you think that it may be necessary, in order not to ruin the Country, to endanger the Convertibility of the Note?

For a Period. I believe, if it were allowed, the Gold would flow back shortly; but the Law is impatient and will not wait, and so the Country is sacrificed.

2938. Do not you conceive that the Instant you endanger the Convertibility of the Note your Paper Currency would become depreciated?

It is assumed that the Convertibility of the Note is maintained, whereas the Bank of England itself was as near as possible stopping in the Banking Department.

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2939. Stopping in what respect; do you mean stopping Cash Payments? Stopping in the Payment of their Depositors.

2940. Not in the Issue Department?

But I conceive that it is the same Thing whether they are unable to pay their Deposits or whether they are unable to pay their Issues. I do not see the Distinction. The Disgrace to the Country would be the same in either Case.

2941. If they failed in being able to pay their Depositors the Consequence might have been a Run for Gold upon the Note?

I should conceive that if the Bank could not pay their Depositors, it would be a national Bankruptcy.

2942. Do you mean to say that it was your Opinion, or the Opinion of any other Bankers, that there was at any Time this Year a Danger of the Convertibility of the Note?

A Danger of the Bank stopping Payment in the Banking Department.

2943. It appears that when the Difficulties began in the early Part of the Year 1847, the Bank had upwards of 15,000,000*l.* of Bullion. It appears also, by the Returns made, that the Balance of Bullion sent out of the Country, after deducting that which was brought into the Country during the Year 1847, did not exceed between Four and Five Millions. Do not you think that under those Circumstances the Bank might with perfect Safety have disregarded, as you have before said, the Outgoing of Four or Five Millions of Specie, having Fifteen Millions in its Coffers, and need not from an Alarm of that State of Things have thrown the whole Circulation of the Country into confusion?

Certainly. I always said that if the Bank had been allowed to issue that Gold, the Panic might have been to a great Extent, if not altogether, avoided.

2944. You said that the Banking Department, the Discount Department of the Bank, was in danger of stopping Payment. Are you aware what were the Circumstances of the Bank at that Moment?

I know that the Reserve was very small, and that it was threatened that the London Bankers would withdraw their Deposits, which would have stopped the Bank.

2945. Are you aware whether it was in the Power of the Bank to effect Sales of Consols at that Moment?

Consols at that Moment were hardly saleable, or Exchequer Bills.

2946. You do not believe that a large Amount of Consols could have been sold?

No. A London Banker told me himself, that he found a Friend of his that could not sell either Exchequer Bills or Consols.

2947. When you say that they could not have sold either the one or the other, you mean by that that they could not have sold them without submitting to a great Loss?

If they had attempted to sell to any very large Extent I think it is very probable that they would not have been able to sell at all; but, instead of selling their Securities, they preferred reducing and stopping their Discounts.

2948. Has there ever been any Instance, or can you conceive a probable Instance, in which the public Securities of this Country would not be saleable at some Price? Have you ever heard of such a case occurring from the Year 1797 downward?

They may be able to sell if they choose to submit to a Sacrifice. I do not pretend to say to what Amount.

2949. You said that the Bank were in danger of stopping the Payment of their Deposits; at what Time was that?

I think the worst Period was about the 25th of October.

2950. What was the Time when you say you felt that there was a Danger of the Bank not being able to pay their Deposits?

About the Period mentioned. The Cause of the increased Panic was to a great Extent the published Account of the State of the Bank's Reserve.

2951. Are you aware whether there was or was not Money coming in every Week, if not every Day, as the Paper which the Bank held was becoming due?
I presume they were ceasing to discount, and that the Bills were running out.

2952. Had not they made Advances also upon the Dividends which were falling due?
So I understood, which they recalled.

2953. And therefore there were large Sums coming into the Bank at that Time?
I believe that their coming in enabled them to meet the Calls upon them.

2954. Assuming the Condition of the Bank to have been that which you suppose, must not that have been partly owing to Mismanagement on the Part of the Bank in not sufficiently contracting its Issues and raising its Rate of Discount in Time?
I think the Necessity for that Letter enabling them to suspend the Act of 1844 showed that they could not have acted more stringently than they did.

2955. In your Opinion might not a different Management on the Part of the Bank have placed the Bank in a different Position from that in which it stood at the Time that the Letter was issued?
I think certainly that the Bank were to blame previously, but that they had been allowed by the Act to do so, that is, to reduce their Rate of Discount, which tended to bring on the Speculation which ensued. When I say that they were to blame, I mean with a view to the Benefit of the Country. But by the Act of 1844 they were exonerated from any Responsibility towards the Country; they were told that they had only to consider the Benefit of their Proprietors. Previously to the Act of 1844 they never discounted under Four per Cent., but on the passing of that Act they reduced their Discounts to Two and a Half per Cent., and superinduced the Speculation which afterwards took place. But I cannot say that I blame the Bank for pursuing their own Interest; they were told that they might do so. What I consider a very great Evil in the Act of 1844 is that it prevents the Bank being any longer a Conservator or Regulator of the Currency and allows it to become the contrary.

2956. The Bank having discounted as low as Two and a Half per Cent., some Time after they discounted as high as Ten per Cent. Those were the Fluctuations that arose under the Act of 1844?
Yes.

2957. Do not you consider Fluctuations of that Description fatal to the manufacturing and other Interests of the Country?
Entirely so.

2958. Do not you believe that in your Neighbourhood there were Manufactures that would have gone on with Activity if it had not been for the Difficulty of getting Money in that State of Things?
Certainly. I may be allowed to mention that an American Merchant said to me, "If I cannot get my Bills discounted I must send for Gold." In the meantime the Manufacturer could not sell his Goods.

2959. Has there been great Loss of Capital and Property among the Manufacturers and Dealers in your Neighbourhood?
They are in a State of Poverty generally. There is great Distress in the Country certainly among the lower Classes; many Hands have been turned out.

2960. And a great Reduction in the Value of all Properties and all Securities?
A very great Reduction.

2961. You now issue Bank of England Notes, and you charge a Commission upon the Amount of your Issue, which Commission was fixed by the Act? (*See Explanation, No.* 2880, *p.* 321.)
Yes.

2962. Upon what Terms do you obtain those Notes?
We now have no Agreement. We obtain what we require by paying into the Branch Bank at Leicester previously so much Money, Eight or Ten Thousand Pounds at a Time.

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2963. Paying in Gold?
No; by Transfer from our Agent to the Bank of England in London.

2964. And upon the Amount of Notes you receive you are entitled to charge a Commission to the Bank of One per Cent.? (*See Explanation, No.* 2880, *p.* 321.)
Yes.

2965. Did you find that the Panic at all affected the Facility with which you obtained Notes from the Bank of England?
Not in the least.

2966. What is your Opinion as to the Expediency of repealing or amending the Act of 1844? What is the Remedy that you would apply to the Evils which you have pointed out?
I think the simplest Plan would be to extend the Gold Basis by substituting 1 *l.* Notes for the Gold in Circulation. That would be one Plan. Another would be (this is something like what I put into Print some Time ago) to establish a Twofold Currency; one for domestic Purposes, of the Nature of Exchequer Bills periodically regulated by Parliament, 1 *l.* Notes being substituted for the Gold now in Circulation; the other in the Form of Bullion Notes regulated by the Exchanges, and convertible at all Times and under all Circumstances, Provision being made to the full Extent by the Gold taken out of Circulation. A Distinction would then be drawn between the Circulation required for Home Purposes and that required for the Settlement of the Balances of Trade; the Desideratum of the one being that it should be permanent, free from Fluctuation, and incapable of being hoarded or carried abroad; the Desideratum of the other that it should regulate itself by the Exchanges, and be convertible to the full Extent.*

2967. Do you mean the 1 *l.* Notes not to be convertible?
In the first Plan that I mentioned they would be convertible. This Plan is adopting the Principle of the present Act so far; it is merely enlarging the Proportion which would then exist between the Gold and the Total Amount of the Circulation.

2968. What do you consider would be the Advantage of that? You would lock up a large Amount of Gold in the Coffers of the Bank and have their Notes in Circulation. What would be the practical Advantage of that Plan?
I must say that I differ from the Opinion laid down by Sir Robert Peel, that it is a great Advantage to have in the Hands of the Public a large Amount of Gold. I consider that it is impoverishing the Country. The Object of Gold is to make use of it for international Purposes, not for the mere internal Purposes of Trade. According to the Opinion of Adam Smith, that it is obtaining so much Capital, I consider it a great Loss to the Country to lock up so much Gold.

2969. Do you think that you would have a larger Basis of Circulation in that Way, still preserving the Convertibility of the 1 *l.* Note into Gold?
Certainly.

2970. You were understood to state, in reference to 1 *l.* Note Circulation, that in a Time of Pressure and Panic the Demand for Specie was much greater upon the 1 *l.* Note Circulation than upon a Circulation of larger Denomination?
I was speaking then of the Discredit arising to private Bankers, I am speaking now of the national Bank.

2971. Supposing any Circumstances of Discredit to arise with reference to a public or national Bank, would not the same Consequences follow from 1 *l.* Note Circulation in the Hands of the Public, whether it was issued by a private Bank or by a national Bank?
I should think not; because during the Panic of 1825 as soon as they issued Bank Notes it stopped the Panic. People were satisfied when they got Bank Notes.

* See Note at the End of this Day's Evidence.

2972. Did not that arise from the Amount of Notes that were issued, being to the Extent of Four or Five Millions, rather than the Denomination in which the Issue took place?

The Discredit in 1825 was upon the Country Bankers, and when Bank Notes were offered it stopped the Panic.

2973. Are the Committee to understand that you propose having in the Coffers of the Bank an equivalent Quantity of Bullion to the Amount of the 1*l.* Notes in Circulation?

There are Two distinct Plans.

2974. How do you propose to secure the Convertibility of the Note unless you have an equivalent Quantity of Bullion in the Coffers of the Bank?

You would have a larger Amount of Gold than you now have, because you would take the Gold out of Circulation and retain it in the Bank.

The Witness is directed to withdraw.

Ordered, That this Committee be adjourned to Monday next, Two o'Clock.

Note to Mr. Wright's Evidence.

On revising his Evidence, Witness added as follows:—

Having been examined without Notice, so as to give Time for Preparation, I omitted, in the above hasty Sketch of my Views, that Change which I think ought to enter into any monetary Reform, viz., the Restoration of the Double Standard, as shown to be just in my recent Pamphlet, "The Evils of the Currency, No. 2."

Having been asked "my Opinion as to the Expediency of repealing or amending the "Act of 1844, and the Remedy I would apply to the Evils I have pointed out," I would make these further Observations. Notwithstanding this Invitation to offer my Opinions, I should still have hesitated to enlarge upon the Subject, did not I feel that however my Opinions were slighted some Years ago, (published in opposition to the Wishes of my Friends, under a Sense of Duty,) they may now be possibly entitled to some Weight, from the Fact that the Evils recently experienced were declared by me in Pamphlets, printed in 1840–41, to be those which must inevitably result from the Adoption of the Principles upon which it was then proposed to reform our monetary System. Certain Causes must, I felt, produce certain Effects; and as long as these Causes are in operation the same Effects will continue to result, viz., constant Fluctuations and Panics.

As to the Act of 1844, my own Conviction was, after a laborious Study of all the Evidence upon which it was purported to be founded, that it ought not to have been passed on such Evidence; that it is based on a Series of Assumptions and Fallacies; and that whatever it might be in Theory it was at variance with Experience, and a most dangerous Experiment. I am therefore an Advocate, not for modifying what is erroneous in Principle, but for repealing the Act in toto, and enacting one more practical and suitable to the Country in its present artificial State, subject as it is to the Weight of a Debt which it can never bear under the present Law, and which is most oppressive to the productive and industrious Classes.

Sir Robert Peel having declared that the Act would benefit the Public, and produce cheap Money by a Competition between the London Bankers and the Bank of England, the latter, as a Competitor for Business and freed from all Responsibility, reduced their Rate to Two and a Half per Cent., i. e. below the Market Rate. The Act having produced its natural Results, unheard-of Speculation, and consequent Reaction and Pressure, Sir Robert tells the Public he is "disappointed." The Bank Directors, however, are by no means disappointed, having reaped great Gains during the Panic, when the Chancellor of the Exchequer states their Charges were higher than generally supposed, and averaged Seven and a Half per Cent. But the more the Bank is benefited, the more the Country is injured. A Restoration therefore of the Bank to something like her former State is imperative. Were she restricted from ever discounting below Four per Cent., as was her Custom formerly, and from advancing Money improperly, serious Speculations would be in a great measure prevented. Unless the Bank be restored to its former Character, with a view to Steadiness and the Benefit of the Country, so great a Monopoly, and so great a Power as a single Bank of Issue for the Metropolis, should not be continued. Indeed, as Excess would not arise from competing Issuers, under proper Regulations, giving Security, the Question is open for Consideration.

The Times Paper (May 1, 1841), declares, "Our System of Paper Currency will "remain imperfect, until some Mode shall be discovered of enabling it to apportion its

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"Supply and Demand without reference to Influx or Efflux of Specie." The Wants of the Country, as shown by the legitimate Supply of good Bills for Discount, are indeed the correct Criteria; not the Ebb and Flow of Gold, which is influenced by accidental Circumstances, and affords no correct Index of the Balance of Trade, as the Act of 1844 assumes.

If these Views are correct, the Defects of the Standard should be abated, and not aggravated as they are under the present System. "The Wealth of a Country consists "in Produce of all Kinds, and in whatever Commodities Labour, Skill and Capital can "create, so as to command the Produce or Wealth of other Countries. Gold is a Portion "of this Wealth; but by no means an Article into which all other Produces are resolvable. "Hence the Invention of the Bank Note. * * * * It is an Error to suppose that when, "in a mixed Currency, a Bank Note will not purchase a Sovereign, the former is *neces-* "*sarily* depreciated. The Bank Note may have remained stationary, and the Sovereign "been accidentally raised in Price; i. e., the Bank Note may preserve the same relative "Value that it did when first issued, to the Wealth of the Country generally. * * * * "During the War Gold was wanted abroad to pay our Troops, and rose in Price. A "Guinea became worth more than a Bank Note and a Shilling. Still it does not follow "that because Gold had risen in *Price* the Note was lowered in *Value*. The Depreciation "is generally attributed wholly to Excess of Circulation; but the late Mr. Rothschild states, "'it arose from the great Expenditure of the Armies of this Country, and Subsidies paid "'to Foreign Powers.' (Bank Charter, No. 4889). * * * * It is evident, from what has "been stated, that whenever Gold is wanted on any emergency, foreign or domestic, it "is raised in Price above the relative Value of other Merchandize. At such Times there- "fore it ceases to be a Standard; and the Bank Note becomes a more just Standard than "a Sovereign. * * * * Hence Paper, if perfectly secured or national, and placed on such "a Footing that it can never be *in excess*, is a far better Token than Metal. And if "in adverse Times a Circulation partly metallic has a Tendency to fly abroad, thereby "causing Distress and Alarm, it is doubly incumbent on a Government to prevent the "Complication of Evils which hoarding superadded produces, and to provide such a "Species of Token for its Currency, that however Gold, as an Article of Merchandize, "may go out of the Country, no Part of the Currency itself shall as far as possible be "exposed to hoarding. * * * * It is an Error to suppose that the Paper Circulation of "the Bank of England can be pronounced to be in excess or otherwise by any Judgment "passed upon the published Amount." These Extracts are from a Pamphlet printed in 1840, but withheld, as being thought too startling at that Time.

To correct the Aberrations of the Standard, and adjust Supply and Demand, might not a Rate of Interest be adopted, as an Index or Regulator, upon a self-acting System? If the Bank of England were never to discount below Four per Cent., on the one hand, could she not be empowered on the other to discount to any Extent, whenever the Market Rate exceeded say Five per Cent., the Penalty falling on herself if she discounted hazardous Paper.

As to the Country Issuers, they should be compelled to give Security; or, if no forcible Change is made with present Issues, Encouragement should be given to those Bankers who would give Security, with a view to the Establishment of a universal Circulating Medium. As the poorer Classes can exercise no Discretion in the Notes they receive, it is deserving of Consideration, whether, if Bankers gave Security for all Notes under Ten Pounds, free Issues might not be allowed for any higher Amounts. This would be only a partial Interference with existing Issues. I will only add, that upon the just Settlement of this Question of the Currency depends the Greatness and Glory, and the Peace, and even the Existence of this great Country.

Die Lunæ, 27° Martii 1848.

The Lord PRESIDENT in the Chair.

Evidence on the Commercial Distress.

T. Tooke, Esq.

27th March 1848.

THOMAS TOOKE Esquire is called in, and examined as follows:

2975. You were for many Years connected with Business in London?
I have been connected with Business in London above Fifty Years, but have not been engaged in any mercantile Concern during the last Twelve Years.

2976. You are now the Governor of a large Insurance Company?
I am Governor of the Royal Exchange Assurance Corporation and Chairman of the St. Katharine Dock Company.

2977. In your Capacity of Governor of the Royal Exchange Insurance Company does it form Part of your practical Business to invest Monies from Time to Time?
Yes, it does, to a considerable Extent?

2978. And on that Account, independently of the Attention which you have given to the Question of Currency and of Circulation as a Matter of scientific Research, have you been led to consider it in its practical Bearings?
I have, constantly; and few Persons, I conceive, are better situated than I am for judging of the State of commercial Matters.

2979. On what Ground?
From being constantly in attendance during at least Two to Three Hours a Day at the Royal Exchange Assurance, and likewise once a Week and sometimes twice a Week at the St. Katharine Docks; and having not only for the Royal Exchange Assurance, but for the St. Katharine Dock Company occasionally, to manage considerable financial Operations.

2980. Has this led you to give peculiar Attention to the State of commercial and financial Transactions and Banking in London during the Course of the last Year, the Year 1847?
Yes, I have paid great Attention to such Matters; and I have been in the habit of constant Communication with a great Number of Persons connected with the financial and commercial State of Things in the City of London.

2981. Will you have the goodness to state whether in your long Experience in London you have known any antecedent Period at which there was a greater commercial Pressure than in the Year 1847?
Certainly none approaching to it since 1825. I think there was One Week in 1825 which exceeded in Intensity the Pressure of either April or October 1847.

2982. Were there any Phenomena that were visible in the Transactions of 1825 which distinguished it from the Case of 1847, more especially as relating to the Credit of Country Banks?
I think that the Discredit and the Failure of Country Banks and the general Derangement of the Country Circulation were very considerably greater in 1825 than in any Part of the Year 1847.

2983. To what Circumstance do you attribute that Distinction between the Two Periods?
In my Opinion the 1 *l.* Note Circulation was one very important Cause of that Difference. That Class of Notes, from the Facility which existed of getting them

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them into Circulation, was in many Instances issued by an inferior Description of Banks to that which has since existed.

2984. Comparing the Effect of 1 *l.* Note Circulation and 5 *l.* Note Circulation in Times of Crisis, do you think that the Holders of 1 *l.* Notes are more liable to feel Alarm, and by that Alarm to create a Pressure upon the Bank whose Securities they hold, than the Holders of a higher Denomination of Securities?

Yes; I consider that to be the Description of Circulation which would be most liable in a Time of Crisis to create a Run upon the issuing Bank.

2985. Do you consider that that Principle extends itself further than as regards the Comparison of 1 *l.* Notes and 5 *l.* Notes, and that the Owners of 5 *l.* Securities issued from Banks would be more or less liable to the Influence of Alarm than Persons having Notes upon those Banks to the Amount of 50 *l.* or 100 *l.*?

I should imagine them to be more liable to the Influence of Alarm. 5 *l.* Notes will chiefly circulate among Tradesmen and Country Shopkeepers, and among Millers and Farmers; 1 *l.* Notes will enter very largely into Wages, and consequently be in the Hands of a lower Class of Persons more exposed to the Effects of Panic, and therefore more likely to be the Means of a Run upon the Banks.

2986. Are there any other Circumstances in the Position of Things in 1825 and in 1847 which, in your Judgment, account for the Want of Credit and the Failure of the Banks in 1825, and the comparative Credit in which the Banks were sustained in the Year 1847?

With regard to Country Banks, I consider that the Substitution of Joint Stock Banks for a large Proportion of the smaller private Banks has been the Cause of the much greater Security of the Banking System than existed in 1825; and I likewise believe that the Experience of 1825, and the prodigious Destruction that then occurred of the Country Banks has generally speaking been a Cause of the greater Circumspection in the general Conduct of Country Banks. The Advances made by the Country Banks in 1825 seem to have been of a very unsound Description.

2987. Are you of opinion that, irrespective of any direct Legislation upon the subject, the Parliamentary Inquiries that have taken place at various Times in the Year 1832, in the Year 1836, and in the Year 1840, and up to this Time, have contributed very much to enlighten the Managers of Banks as well as the commercial World generally with respect to the Principles upon which Banking ought to be conducted?

I think that those Parliamentary Inquiries cannot but have had the Effect of communicating much more general Information respecting the Principles and Conduct of Banks than before existed.

2988. Do you think that what is generally called the Legal Tender Clause, by which Country Banks are enabled to pay their Engagements in Bank of England Paper, has had any Effect in diminishing the Casualties of the Year 1847 as compared with the Year 1825?

I should think very little, if any, Effect. It is totally inoperative under ordinary Circumstances; and in the recent Circumstances I am not aware that it has had any Operation one Way or the other.

2989. Do you approve of the Clause in itself?

Yes. I gave my Evidence in favour of it before the Bank Charter Committee in 1832; but I am not sure that I should have given it so unreservedly as I then did had I been aware that it would be, as it has been occasionally, the Cause of a great deal of Confusion of reasoning as to the Character of the Bank of England Note. It seems to have had some Influence in investing, according to general Opinion, the Bank Note with some peculiar Properties which I do not think it is entitled to, that is, in distinguishing it from other Species of Paper Obligations.

2990. Is it your Opinion then that the Bank Note stands on the same Footing with other Paper Obligations as circulating Credit?

Precisely so; only taking into consideration the Convenience of the Public in its Uses of the different Kinds of Obligations; that is, I see no Difference in Principle between a Bank Post Bill and a Bank Note payable on Demand.

2991. Or an Acceptance endorsed by perfectly solvent Houses, and due on the same Day?

Certainly.

2992. Would you see any Difference in point of fact between a Circulation of Exchequer Bills bearing Interest and payable to Bearer without Endorsement, and a Circulation of Promissory Notes of the Bank of England issued under like Circumstances, and transferable without Endorsement, supposing all the Circumstances the same?

I conceive that there is this Difference, that Exchequer Bills are not convenient Instruments, inasmuch as they are not payable at Bankers, and they require certain Formalities to be gone through which are more or less inconvenient, and in point of practice they do not enter into the Circulation as commercial Instruments; but in the periodical Settlements among the Banks in Edinburgh they are in use for the same Purposes as the larger Denominations of Bank of England Notes at the Clearing House.

2993. Does not that in some Degree apply to all the larger Denominations of Issues? Do Bank Notes of 100*l.*, and 500*l.*, and 1,000*l.* enter much into the general Circulation of the Country?

They do not enter at all into the general Circulation. They are simply Instruments that pass between the Exchequer and the Bank, or between Banker and Banker, and between Bankers and the Bank of England, and among Solicitors in Transfers of Real Property.

2994. Are there any other Circumstances, beyond those to which you have already referred, which in your Judgment distinguish the Cases of 1825 and of 1847?

I conceive that there is this very great Difference, that the Bank has been since 1844 divided into Two Departments; and in the Case of the Bank of England in 1825 it had the Use of all its Treasure indiscriminately for its general Liabilities.

2995. Do you think that the Difference arising out of that Change in the Law had the Effect of increasing or of mitigating the Pressure in the Year 1847?

I can express my Opinion without any Hesitation that it aggravated greatly whatever other Causes there were producing the monetary Pressure of 1847.

2996. Will you have the goodness to state in what respects you consider that the Law imposing upon the Bank the Obligation of Severance into Two Departments, with the other Provisions which were consequent upon it, has had the Effect of aggravating the Pressure in the Year 1847, and will you advert more particularly to any Distinction which you may be inclined to draw between the Pressure in the Month of April 1847 and the Pressure in the Month of October 1847?

The Severance into Two Departments had the Effect of aggravating the Pressure by diminishing the Power of the Bank to grant Accommodation on the one hand, and on the other hand by alarming the Public at the View of the Smallness of the Reserve as exhibited by the weekly Publications in April and October last. The Pressure at those Two Periods was, however, very different in some important Respects. In April there was a Degree of Pressure amounting to Panic, in the strict Sense of the Word; but that was of comparatively short Duration, and not attended with any commercial Failures of Importance. The Pressure in October was more intense than at any Period in April, and attended with a very considerable and indeed an almost unparalleled Amount of commercial Failures.

2997. Was there any Circumstance in the State of the Foreign Exchanges at the Two Periods which distinguishes the Pressure in April from the Pressure in October?

There was a very considerable Difference. In the Case of the Pressure in April the Exchanges, principally with America, were such as entailed the Necessity of exporting a considerable Quantity of Gold in Payment for the unusually large Importations from thence; and it was only by a most violent Effort, exceeding in its Consequences upon the commercial World any thing

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of the Kind (as I have before observed) that had been experienced since 1825, that the Bank succeeded in raising the Exchanges and stopping the Efflux of Bullion.

2998. Now will you turn your Attention to the State of Things in the Month of October?

In October the Exchanges were in favour of this Country.

2999. Was there not an Influx beginning at the Time of the Issue of the Letter from the Chancellor of the Exchequer and the First Lord of the Treasury, which Influx continued up to a very late Period?

Yes; there was an Influx of Gold which had begun some Time before the Issue of the Letter.

3000. Can you state when the Exchanges turned in favour of this Country?

On the first Pressure in April. I think it was about the Third Week in April that the Turn took place.

3001. Did it continue pretty steady during the whole of those Months till October?

Not quite steady. I should say that in July and August the Exchanges vibrated, and they were little, if at all, above that Rate at which there would be an Inducement for Exportation; but after the Beginning of August they were constantly in favour of this Country.

3002. Was not there an active Tendency to export Gold during July and August?

The Fact was that very little Gold was exported. I believe there was a larger Import than Export during that Time.

3003. It appears by the Accounts laid upon the Table of the Committee that from the Beginning of July down to November the Gold in the Coffers of the Bank was gradually diminishing in every week; that it diminished from 8,113,000*l.* in the Week ending the 3d of July to 6,864,000*l.* in the Week ending the 30th of October. How do you account for so great a Diminution as that if the Exchanges were so favourable during the whole of that Time that there was a Tendency to an Influx of Gold? Are not those Two Facts rather inconsistent with each other?

Those Figures apply to the Gold only in the Issue Department; the lowest Amount of Bullion in the Two Departments was 8,438,874*l.* I believe that the whole of the Diminution of Gold at that Time is attributable to an internal Drain, a Demand for internal Circulation. I think it will appear that the Bank actually bought Two Millions of Bullion between April and the End of October, whereas the Export during that Period was only a few Hundred thousand Pounds; and therefore it is perfectly clear that the Difference was added to the Circulation in the Interior.

3004. It is your Opinion that the previous Drain of Gold to which you have adverted as for Foreign Purposes, which took place up to the Month of April, and also to a small Extent subsequently, was occasioned by the Balance of Payment which it was then necessary to make from this Country to America?

Yes; I believe it was chiefly owing to that.

3005. Was there not any corresponding Drain of Gold to the Continent of Europe?

In a small Degree. The greater Part of the Drain was to the United States. There was an Export of Gold to some rather considerable Amount to Russia in January 1847, but that was prior to the principal Part of the Pressure upon the Bank.

3006. During the Year 1847 what were the general Fluctuations in the Rate of Discount as compared with the Fluctuations in the Rate of Discount at anterior Periods of Pressure which you remember?

I never knew any Year in which there was so great and so violent an Alteration in the Rates of Discount as during the Year 1847.

3007. It appears by a Return that has been laid before the Committee that the Fluctuation between the highest and the lowest Rate of Discount in the last

last year amounted to upwards of Six per Cent. Can you state what the Fluctuations were in the Years 1837 and 1839?

In 1837 the Bank Rate of Discount was not raised above Five per Cent.; in 1839 the Bank Rate was raised to Six per Cent. I believe that the Rate in Lombard Street (that is, the Market Rate), was not above One or at the utmost Two per Cent. above those Rates.

3008. By a Return given in by Mr. Gurney it appears that the maximum Fluctuation in the Year 1837 was Two and a Quarter per Cent., and in the Year 1839 Two and Three Quarters per Cent., whereas in the Year 1847 it amounted to Six and Three Quarters. Were those Fluctuations in the Year 1847, in your Judgment, productive of very great commercial Inconvenience?

I should say enormous commercial Inconvenience.

3009. Were they amongst the Causes which, in your Judgment, operated most prejudicially to the commercial Interests at the Time?

I have no doubt they did so.

3010. Will you have the goodness to state to what you would attribute the Contrast between the Year 1847 and the Years 1837 and 1839 in this respect?

I attribute it almost entirely to the Separation of the Two Departments of the Bank of England. If the Bank had had the undivided Use of its Treasure in 1847, there need not, in my Opinion, have been any greater Variations in the Rate of Interest than occurred in 1839. If there had been a Division of the Departments in 1839 or 1837 the Pressure might have been fully as intense as that of 1847, and perhaps still more so, supposing that the Bank had adopted the same stringent Means of protecting its Reserve as it did in the recent Instances.

3011. It is scarcely necessary to ask you whether you attach essential Importance to the Preservation of the Convertibility of the Bank Note?

I conceive that it is of essential Importance.

3012. Do you conceive that the Operation of the Act of 1844, as exhibited in the Year 1847, was essential for the Preservation of the Convertibility of the Note, or contributed thereto?

I do not imagine that it was essential, or that it contributed in any Degree to the Preservation of the Convertibility of the Bank.

3013. Do you consider that so large an Amount of Gold would have been retained in the Possession of the Bank in the Year 1847, except under the Exigency of the Act of 1844, as was preserved in the Issue Department under the Provisions of that Act?

I do not consider that the Preservation of that Amount of Bullion in the Issue Department was essential to the Maintenance of the Convertibility of the Bank Note; and perhaps I may be allowed to add, that I do not admit in Principle any Distinction between the Liabilities of the Bank of England to the Payment of its Notes as compared with any other of its Liabilities payable on Demand.

3014. Reserving the Question of the Deposit Liabilities for further Examination, and confining the Question exclusively at present to the Convertibility of the Bank Note, do you think that if that Separation had not taken place under the Act of 1844, the Convertibility of the Bank Note could have been preserved during the Exigencies of the Year 1847?

I do not conceive that it would have been in any Danger at all.

3015. Was the Safety of the Bank Note affected in the Years 1837 and 1839, which were anterior to the passing of the Act of 1844?

Not in the slightest Degree; nor even in 1825, when it was known that the Bank was within a few Days of having its Treasure exhausted if the Run had continued.

3016. At a Moment like that in 1825, when the Affairs of the Bank were brought to such a Point that it was upon the Brink of not being able to pay its Notes in Specie, do not you conceive that the Convertibility of the Bank Note at that Period was in Danger?

I do not say that it was not in Danger then; I say that in 1847 it was not in Danger.

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3017. But in the Year 1825, at the Period when the Reserve of Gold was reduced to so low a Figure as that to which you have referred, do not you conceive that the Convertibility of the Note at that Time was in Danger?

Yes, it was unquestionably in most imminent Danger. But it should seem that I did not hear distinctly or understand the Question which I conceived I was answering; I understood the Question to be, whether there was any Discredit attached to the Bank Note in the Minds of the Holders in 1837 and 1839, and my Answer was that there was not the slightest Discredit, nor had there been any such Discredit of the Bank Note in 1825.

3018. That is to say, the Course of Events was stopped just at the Moment when Discredit would have been likely to arise if it had continued?

Precisely.

3019. Are the Committee to understand that it is your Opinion that at the Period of that very severe Drain in 1825, when it was known on the Part of the Public that the Bank was very nearly reduced to an Exhaustion of its Specie, there was no Apprehension of the Convertibility of the Bank Note?

I did not say, or at least mean to say, that. I said, or intended to say, that there was no Discredit of the Bank Note in the Minds of the Public. There was no Disposition to a Run for Gold, as it is termed, such as that of which we have recently heard in the Case of the Bank of France, whose Doors were besieged by Crowds of Persons wanting to exchange their Notes for Specie. Nothing of the Kind has ever occurred since 1745 in the Case of the Bank of England Note.

3020. Was there any Run for Gold from Alarm in the Year 1825?

None.

3021. Do you think that such a State of Things could have continued for any Length of Time in the Year 1825 without such Alarm arising?

It is difficult to say. In 1797, which I recollect very distinctly, there was no Apprehension apparent on the Part of the Holders of Bank Notes.

3022. Are you aware that at one Time in 1825 the Bank were so alarmed at the Prospect of having no Gold left to pay the Notes, and so alarmed at the Manner in which the Demands were pressed upon them, that they urged the Government in the strongest Way to issue an Order in Council to stop the Payment of the Notes in Gold?

I perfectly remember it. I have to repeat that I must have been misunderstood if I am supposed to have stated anything that leads to the Inference that I do not consider the Bank to have been in imminent Peril at that Time. The Demand for Gold was to supply the Vacuum created by the total Discredit of the Country 1*l.* Notes, which could only be filled by Gold, until the small Issue was made by the Bank of England of 1*l.* Notes. It was not a Demand for Gold in exchange for Bank of England Notes from any Disinclination to hold Bank of England Notes, but it was for Purposes to which the Bank of England Notes could not be applied.

3023. Was not the Run in 1825 also at a Time when the Foreign Exchanges were not unfavourable, and when therefore it was evident that the Drain of Gold was merely for the internal Wants of the Country?

It became perfectly clear in November and December 1825 that there was not the slightest Demand for Gold for Exportation.

3024. You have stated the Importance which you attach and which every Person attaches to the Bank being always able to pay its Notes in Specie. Do not you consider the Credit of the Bank equally engaged for the Payment of its other Engagements, whether Deposits or any others?

Precisely. I beg to say most emphatically that I consider it to be more so. I conceive that the Payment of the Dividends is a State of Obligation, which the Payment of the Bank Notes is not.

3025. And of its Depositors?

The Depositors ought clearly to stand upon the same Ground as the Holders of Bank Notes.

3026. In 1827, at the lowest Period, just before the issuing of the Letter from the Treasury, was not it evident that the Bank was in imminent Danger of

of not being able to pay its Depositors, though it had at the same Time a large Treasure in its Coffers?

I believe it was in imminent Danger. Whether, as has been generally given out on the Part of the Bank, the Directors felt confident that they could get over this Pressure, I am not exactly prepared to say; but I think that the Bank was in imminent Danger. If that Letter had not come out on the 25th of October, my Impression is that we should have witnessed a State of Things fully equal if not exceeding in Intensity of Pressure that which existed from the 12th to the 19th of December 1825.

3027. Are you aware that when the Bank's Reserve of Notes was at its lowest, its Reserve in London did not much exceed 600,000*l.*, while the private Deposits amounted to something about 9,000,000*l.*? Can that be said to be a State of Safety for the Bank of England to be in?

Taking those Figures, my strong Impression is that it would not have survived in Safety the Week following.

3028. Supposing that you compare Two possible States of the Bank, the one under the Act of 1844, as exhibited in October 1847, and the other the State of Things to which your Attention has been called in 1825; and supposing further that their Reserve in 1825 had been exhausted of the Amount of Bullion which it held, and, on the other hand, that the Result of the State of Things in 1847 had been the Exhaustion of the whole of the Banking Reserve, so as to leave the Bank of England without the Means of paying the Deposits, do you think that there would have been very much Difference in its commercial Consequences between the one Case and the other?

In point of Discredit at home as well as abroad, I should say that a Failure in paying the Dividends and the Deposits would be of far greater Consequence, and attended with much more Inconvenience, than the suspending of the Payment of the Bank Note.

3029. Are you aware that in the Year 1797, when the actual Restriction of Bank Payments took place, after a very short Interval the Bank Court expressed their Opinion that they were prepared to resume Cash Payments?

They were perfectly in a State to have resumed Cash Payments within a few Months after the Suspension Act; and Two Years after that, in January 1799, the Governors notified to the Government, according to the Terms of the Act, that they were able and willing to resume Cash Payments. The Cabinet, however, determined to continue the Restriction, not on account of any Doubt of the Bank being in perfect Condition to resume Cash Payments, but that for State Purposes it was considered desirable to retain the Suspension. I may here perhaps be allowed to take the Opportunity of stating, that in conversation with Lord Grenville and Mr. Ricardo soon after the Recess of Parliament in 1819, either Mr. Ricardo or I observed that we thought that the Suspension of Cash Payments in 1799 had been premature, that the Bank at the Time possessed about 1,200,000 *l.* of Treasure, and that the probability was that the Drain would have ceased if the Directors had gone on paying. Lord Grenville observed, that, according to the Information which Ministers had received from the Governor of the Bank, if the Drain had continued at the Rate at which it then was proceeding, the last Guinea would have been drawn from its Coffers. Mr. Ricardo asked, "What more could they have done than stop "Payment if the last Guinea had been called for?" To which Lord Grenville replied, that the Government considered that it was desirable that the Bank should not be entirely destitute of Specie, as it was possible that political Exigencies might require the Use of it by the Government. "But," he added, "when the Governors stated Two Years afterwards that they were in a Con- "dition to resume Cash Payments, it is one of the Circumstances of my "political Life which I look back to with some Regret, that I concurred with "the Cabinet in continuing the Restriction."

3030. Was it not the Fact that it was not originally the Bank of England that asked for the Restriction, but that it was imposed upon them?

The Bank were very much alarmed. The Governor (Mr. Samuel Thornton, I believe,) went to represent the State of Things to Mr. Pitt. It was in consequence of that Representation, which was made on Saturday the 25th of February, that Mr. Pitt stated the Matter in the Cabinet, and then it was that

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the Order in Council was determined upon, and was issued on the Monday Morning; but then it was expected that it would be for a very short Period; and it might have been for only a short Period, because such was the Strength of the Influx of the Metals immediately after, that in a few Months, certainly within Six Months, they were nearly in a Condition to resume.

3031. You were understood to state that you consider the Convertibility of the Bank Note as a Matter of the most paramount Importance?
Certainly.

3032. And therefore any thing which at a Moment of great commercial Difficulty should throw the slightest Doubt upon the ultimate Convertibility of the Note would be a serious Evil?
I cannot say exactly in what Sense the Words "the slightest Doubt of the Convertibility" is intended.

3033. That any Course which would ultimately endanger the Convertibility of the Note would be a serious Evil?
The Estimate which different Persons would make of the Danger would vary very much, for unquestionably there have been Expressions of Apprehension that the Convertibility of the Note would have been endangered if the Bank had not taken the Measures it did in April and October last. I have not an Idea that there would have been any real Danger, or that the State of Things would have been such as to have communicated the slightest Apprehension to the Public.

3034. You mean if the Act of 1844 had not existed?
Certainly; that is what I mean.

3035. Would you not say that any Circumstance which had the Effect of ultimately endangering the Convertibility of the Note would be one likely to add serious Difficulty in a Moment of commercial Pressure?
Not at all. I will take the Instance of 1839, with respect to which I have the most perfect Recollection of all that passed at the Time, and I can say most distinctly that there was no commercial Discredit, and no commercial Inconvenience that I am aware of, attending that State of Things.

3036. Do you mean to say that if at any Moment of great commercial Pressure there arose a Doubt as to the ultimate Convertibility of the Note, it would not add to the Embarrassment of the Moment?
I have given the Instance of 1839. There was a great deal of Uneasiness expressed in Conversation upon the State of the Bank; but I do not know a single Instance of any commercial Inconvenience that arose beyond a Rise in the Rate of Interest.

3037. Supposing it was known that the Bank, after a considerable Run upon its Coffers, had no more than 200,000 *l.* worth of Gold in its Possession, do you think that would not then add an Element of Difficulty to the commercial Pressure?
I think so. If it were just on the very Point of Exhaustion, I think it would.

3038. Then it is a Question of Degree as to the Point at which that Alarm would occur?
Precisely.

3039. Seeing that Matters might arrive at such a Point, and that they did arrive at that Point according to your Account in 1825, and seeing also that, as you have already stated, it is your Opinion that the Bank had brought itself to a Point of extreme Danger with respect to its Deposits in the course of last Year, will you explain what Reason you have for thinking that if the Bank had in the course of last Year had a free Discretion over its Issues of Paper, and over the entire Amount of Bullion in its Possession, it would not in all Probability have reduced its Concerns in that Department also to the same Danger?
I think that the Amount of Bullion would not have been reduced at any Time below Seven or Eight Millions. I do not believe that there would have been the slightest Apprehension on the Part of the Public of the Power of the Bank in its entire State to meet all its Engagements without the least Inconvenience.

3040. You consider from Seven to Eight Millions to be an Amount that the Bank and the Public may be perfectly easy with?

Perfectly easy under. The Balance of Foreign Payments in 1847 was undoubtedly very large and very formidable, but, on the other hand, the Banking Institutions of the Kingdom (because this applies to the Act of 1845 likewise) never possessed so large an Amount of Bullion to meet such a Drain. I conceive that they had nearly double the Amount that they possessed when the Drain of 1839 commenced.

3041. You allude to the Amount of Bullion in all the Banks, Scotch and Irish?

Yes; I allude to the additional Quantity of Bullion which, in my Opinion, was very unnecessarily held by the Scotch and Irish Banks, and probably by the Banks in England and Wales, in order to meet the Requirements of the Banking Act of 1845.

3042. Therefore the Bank of England in limiting their Issues, as they were obliged to do under the Act of 1844, had no means of taking into account that the large Amount of Bullion which was in the Country held by other Parties, and which was larger than before the Act of 1845, would have been in their Coffers?

Precisely so. It has been computed that the Bank of England in the Autumn of 1846 would, but for the Act of 1844, have held above 18,000,000 *l.* and probably above 19,000,000 *l.* of Bullion. Now the utmost Computation of any possible Foreign Demand would have been Ten or Eleven Millions; it was actually only between Seven and Eight Millions; but with that Amount of Treasure there would not have been the smallest Danger to the Bank, nor the slightest Uneasiness on the Part of the Public.

3043. You said that in your Opinion the Bank were safe if they had Seven or Eight Millions of Bullion of Reserve in their Coffers?

I do not think the Public would have entertained any serious Apprehension. I think the Bank would have considered that any further Demand for Exportation reducing the Bullion below Seven or Eight Millions would have required more stringent Measures than would have been necessary while the Bullion was not below Eight Millions; but I do not think they would have had any serious Cause of Apprehension if it had gone down to Five Millions, although I do not imagine that that was a possible Case.

3044. It appears that on the 31st of August 1839 the whole Amount of Bullion that the Bank had (that was before the Act of 1844) was 2,400,000 *l.* Now do not you think that was rather a ticklish State of Things?

It was very hazardous; it was very imprudent on the Part of the Bank of England to have allowed its Treasure to get to that low State.

3045. It appears that on the 31st of August 1840 it was not more than 4,288,000 *l.*, and on the 31st of August 1841 it was not above 4,830,000 *l.*, so that at those Three Periods the Amount of Bullion was considerably below what, in your Opinion, in prudence they should have had in reserve?

In 1840 and 1841 the Treasure of the Bank was less than it ought to have been. My Opinion of the Management of the Bank has been, that they have conducted their Business upon too low an average Amount of Treasure, so that when a Drain occurred they were reduced to so low an Amount as to create considerable Apprehension for their being able to maintain their Payments in Cash; the Drain accordingly in 1839 did bring them into a Position of great Peril. According to my view, they ought to have taken Measures for replenishing their Coffers more rapidly than they did. In October 1840 they were so conscious that Bullion was not returning fast enough, that they reduced the Echéance of Bills admissible for Discount to Sixty-one Days. This Limitation was taken off again soon after; but as there was not the slightest Apprehension about the Bank at the Time, no Notice was taken of either the Limitation of Time or the Removal of it. After the Cessation of the Drain in October 1839 the Public, as far as I could judge, paid little Attention to the State of the Bank.

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3046. Was there any Alarm felt at that Period at all commensurate with the Alarm that was felt when the small Amount of the Reserve was made known to the Public in October 1847?

Nothing approaching to it; indeed no Alarm whatever.

3047. But previously to the passing of the Act of 1844, do you think that the Public had any Security against the Recurrence of the Conduct on the Part of the Bank which you have described as bringing them, and consequently the commercial Interests of the Country, into considerable Jeopardy?

I think the Public had fully as much Security before as after the passing of the Act of 1844; conceiving as I do that the Circumstance of the Bank being reduced to within a few Hundred thousand Pounds of the Limit of their Reserve in the Banking Department was attended with just as much Cause of Apprehension to the Public, and entailed the Necessity of fully as great a Pressure, as if without the Act of 1844 they had been reduced to that Amount in the Two Departments.

3048. Is there any other Security that you can suggest, supposing no such Act as the Act of 1844 had passed, by means of which the public Inconvenience arising out of Misconduct upon the Part of the Bank might be obviated?

None but that which I have ventured to suggest, namely, that a distinct Understanding should have been entered into at the Time of the Renewal of the Charter in 1844. that the Bank should conduct its Business upon a much larger average Amount of Treasure. How far the Bank could so conduct it would be for the Bank Directors to explain; but I am quite sure that it is as competent to them so to conduct the Business as it is to avoid being reduced in the Banking Department to the State in which they were in April and October last.

3049. But it being so competent for them to do it, what Security can be given to the Public, judging from the Experience of the past, that they would do it?

That I cannot take upon me distinctly to say, but I am quite sure that that additional Security is not obtained by the Act of 1844.

3050. Has the Conduct of the Bank, in your Judgment, been prudent under the Act of 1844, with reference especially to their Modes of influencing and acting upon the Discount Market and the Rate of Interest?

I differed in opinion from the Directors in a great deal of their Conduct, but I am not at all prepared to say that they have not acted perfectly correctly, and in the Spirit of the Act of 1844, in acting as they have done.

3051. Taking the Period from January to April 1847, do you think that their Conduct was calculated either to avert or to mitigate or to increase the Pressure which took place in the Month of April?

I think they should have raised their Rate of Discount sooner than they did. At the same Time I am of opinion that they have a very fair Ground of Defence by a Reference to the very large Amount of Reserve that they then still held. They might err in Judgment; but looking at the Reserve they were in possession of, I think they might very fairly contend that there was no Occasion for them to Contract their Advances.

3052. Taking the Experience which we have subsequently acquired as a Guide in the Judgment that is pronounced, do you think that if they had earlier raised the Rate of Discount in the First Quarter of 1847 the Pressure which was felt in April would have been less?

I doubt whether it would have been very materially less; it was not till the Strength of it in the Week following the 8th of April became manifest that it became necessary for the Bank, in order to protect its Reserve, to take Measures which would have been totally unnecessary under other Circumstances. I should say, in answer to the general Tenor of the Question, that there is no Security for the Maintenance of the Banking Reserve which would not equally apply if the Bank was responsible for the whole of its Liabilities.

3053. If they have acted so indiscreetly in the Banking Department with reference to their Reserve, what Security would there be that they would act more discreetly, supposing that they had an uncontrolled Power over the Bullion in the Issue Department?

The Discretion of the Management is to be looked at with reference to the Amount

Amount of their Treasure. Now, with a large Amount of Treasure in an undivided State, I conceive that the Public would incur very little Risk from the Management of the Bank in its general Business, that is, in the Regulation of its Discounts and Advances, as compared with what it is with a Reserve confined to the Banking Department.

3054. That is your Inference from your Study of the History of the Bank?
Yes.

3055. As affects the Public the Bank has Two Classes of Liabilities, its Circulation and its Deposits. You state that the Bank under the present System is as much at liberty to endanger the Interests of the Public in respect of the Deposits as it was before?
Yes.

3056. But under the previous System it had the Power of endangering the Interest of the Public in both Classes of its Liabilities, had it not?
It had the Power certainly of Mismanagement so as to reduce it to the Necessity of suspending its Payments upon both Classes of Liabilities?

3057. The Solvency of the Bank under the former System applied to both Classes of Liabilities, therefore it had the Power of wanting in Solvency with respect to both Classes of Liabilities?
Yes.

3058. Do not you think that there was greater Danger in leaving to the Bank a Discretion which involved its Solvency with regard to both Classes of its Liabilities than when a Discretion is left to the Bank to maintain its Solvency with respect to one only?
Not at all. I conceive that the Separation of the Liabilities, which to me appears perfectly without any Foundation in sound Theory, diminishes the Power of the Bank to let each Department benefit by the smaller Demand which there may be upon the one than upon the other. Supposing the Beau-ideal of the Theory of Separation to be realized, and that the Law was perfectly inflexible on the Point, so that the Issue Department was as separate from the Bank of England as Her Majesty's Treasury is, then I cannot see what the Difference is in the Danger. In that Case the Bank would be obliged to regulate its Management upon Half the Resources that it would otherwise have. In the Course of 1847, instead of the Demand for Gold against Bank Notes being a Source of additional Danger to the Bank, an incrsased Issue from the Circulating Department might have contributed actually to replenish the Coffers of the Bank; it would have bought back the Coin as it did in 1825. There is no doubt that in the Year 1825 the Bank received a good deal of Gold back from Circulation, notwithstanding the enormous Increase of its Paper.

3059. At the Close of the Year 1846 you would conceive the Bank to have stood in a very strong Position as respects its Banking Department, it having had then a Reserve of about 9,000,000*l.*, which was more than One Third of its Liabilities. You would conceive that to be a firm Position of the Bank?
Yes.

3060. Notwithstanding it stood in that Position at the End of 1846, it appears that within a very short Period after the Commencement of 1847 it had reduced its Concerns to a Point of very considerable Danger according to your Statement.
That is precisely the Point upon which I conceive the Act of 1844 is most vulnerable. It has provided an apparent Security for that Part of the Liabilities of the Bank which is least subject to Fluctuation, while it has left totally unguarded by any such Control upon the Management of the Bank that Part of its Liabilities which you have now in Evidence is subject to enormous Fluctuation.

3061. But nevertheless you seem to admit that there is a Security provided for that Portion of its Transactions which are connected with its Issues?
Unquestionably it is so if the Law is inflexible.

3062. It does provide a Security as far as the Issue is concerned?
Not a perfect one.

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3063. But a Security as far as it goes?
Exactly.

3064. Do you consider the Law to be inflexible?
No; the Law is worth nothing in my Opinion.

3065. It has been virtually abrogated?
Perfectly. It is clear if any body will look at the Reasonings upon which the Theory was based, that the Inflexibility of the Act was considered its Perfection; that it was nothing without that. There was the greatest possible Alarm expressed by the Parties who supported the Act of 1844 lest any Provision having the Effect of a relaxing Clause should be introduced into it.

3066. Do you consider that the Government Letter has virtually destroyed the Act?
Entirely, in my Opinion.

3067. Does it make no Difference whether the Inflexibility of the Law is departed from under an extraordinary Pressure which requires a joint Action upon the Part of the Government and of the Bank against the Law, or whether it is departed from by a Provision in the Law itself?
It only makes the Machinery more clumsy. If the Law is to interfere in the way of Relaxation, I think it is much simpler that the Interference should be confined to the Contingency of a Suspension of Cash Payments, with the Understanding that it would be followed by a different Arrangement of the Bank.

3068. Do you believe that the Law having been once broken through by a Letter of the Government, its Inflexibility will ever be presumed to exist again?
Never.

3069. How would you apply that Chain of Reasoning to other Laws which have been suspended at Times by Acts of the Government?
I am not prepared to answer that Question. I have not attended to other Acts. Unless those specific Acts were mentioned, I do not know that I could perfectly understand the bearing of the Question.

3070. The Suspension of Cash Payments in 1797 was effected by an Order in Council, not by Parliament. Do you think that the Consequence of that would be to induce an Expectation that in Times of commercial Pressure there was to be a Suspension of Cash Payments?
It had that Consequence. I have no Doubt that the Expectation of an Order of Council, as a matter of course, in the event of commercial Pressure, operated in inducing the perfect Quiescence of the Directors under the Drain which existed in 1825.

3071. Do you think that the Suspension of any Law, under unforeseen Circumstances of great Importance, by an Act of the Government, necessarily involves the Condemnation of the Principle of the Law itself?
I conceive that in the Case in question the Suspension has taken away the peculiar Feature which recommended the Law. I think the Proof of that is in the extreme Disinclination of the principal Advocates of the Act of 1844 to suspend its Operation even under the extreme Circumstances of the Week ending the 23d October 1847.

3072. Do you think that if there had been any Provision in the Law itself for its occasional Suspension it would not have been called into Action much sooner in the course of last Year than that Suspension which originated in the Act of the Government?
Yes, I imagine that it would; and so far the Law would have been divested of one Part of the Objections to it, that is, its Inflexibility.

3073. Do you think that the Bank would in that Case, availing themselves of such a Power of Suspension, have continued their Issues upon a larger Scale than they actually did in the last Year?
I think that they would, and that they ought.

3074. You adverted to the Amount of Bullion in the Issue Department of the Bank in 1847 during the Pressure. Seeing that the Amount of Bullion in the Possession of the Bank in 1839 did not exceed 2,400,000 *l.*, what Reason have you for assuming that there would have been that Quantity of Bullion in the Bank during the Pressure of 1847 if the Act of 1844 had not been in existence?

Because more than double the Amount of Bullion would have been available to the Bank at the Commencement of the Drain, and I conceive that the Difference in that respect would have been such that the Treasure would not have been reduced below Seven or Eight Millions in any part of 1847, supposing the Bank to have simply acted as it did in 1839.

3075. You think that the Regulations of the Act of 1844 had nothing to do with the Amount of Treasure which the Bank possessed at the Commencement of the Drain?

Most clearly not. I would challenge any body to point out in what possible Way it could produce that Effect.

3076. If you look at the Figures representing the Amount of Bullion held by the Bank, you will find that during a Period of about Two Years and a Half the Bank possessed in the Issue Department alone the Amount of Twelve or Thirteen Millions of Gold, independently of Silver. Now, has it been the ordinary Practice of the Bank in its previous Transactions to allow so large an Amount of Treasure as that to remain in its Coffers unemployed?

I perceive that on the 29th of February 1844 the Bullion in the Bank of England which was then at its entire Disposal was 16,213,950 *l.* In August 1844 they had above 15,000,000 *l.*, of which about Seven or Eight Millions were transferred to the Issue Department when the Act of 1844 came into operation. The Bullion that is held in the Issue Department is for the Use of both Departments. When the Separation took place the Banking Department was entitled to take about Eight or Nine Millions of it; but instead of holding Eight or Nine Millions of Bullion it suited the Banking Department to take that Amount of Gold to the Issue Department, and to receive Notes for it, therefore the Issue Department did not hold the Twelve or Thirteen Millions of Gold as being all available to its Power of Issue; it held a part of it at the Call of the Notes in the Banking Department. The Bullion apparently in the Issue Department is subject to Deduction of the Amount of Notes that are in the Banking Department, because so much of the Bullion belongs to the latter, and it is only in the Custody of the Issue Department, and held at the Call of the Notes in the Banking Department.

3077. Do you mean to say that the Notes in the Banking Department of the Bank are not precisely in the same Position as Currency as Notes issued by any other Banking Institution according to the present System?

According to the general Acceptation of the Terms "Currency and Circulation" the Notes in the Bank were not before the Act of 1844 taken into account by the Public. All the reasoning on the Amount of the Circulation has always proceeded upon the Notes out of the Walls of the Bank.

3078. But that is not the case under the present System?

Then the Nomenclature should be altered.

3079. Supposing the Issue Department of the Bank had been placed upon a totally different Footing, which was at one Time the Intention of the Framers of the Act of 1844, and there had been no other Difference made except that there had been constituted a separate Office for the Issue of Notes, do you think that it would have been necessary to have included all the Circulation in the Hands of the Bank as a part of that which has been issued?

I can only say that previously to 1844 in all the Reasonings upon the State of the Bank the Term "Circulation" was considered to apply only to the Notes which were in the Hands of the Public. Since the passing of the Act of 1844 there has been in the Use of the Term "Circulation" the utmost possible Confusion, arising out of the Attempt to apply it as expressing the Position of the Bank by a Reference to the Notes which are returned as being out of the Issue Department.

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3080. Nevertheless, supposing the Act of 1844 had not passed, the Bank would have had a Discretion over the whole of that Sum which you see recorded as having been held in the Issue Department?

Precisely.

3081. Was it the Practice of the Bank generally, previously to 1844, to hold the Amount of Fifteen or Sixteen Millions of Gold for the Space of Two Years and a Half?

It never had such an Amount of Bullion previously to 1844.

3082. It appears that in the Two Departments of the Bank during Two Years and a Half after 1844 there was an Amount of Fifteen or Sixteen Millions of Bullion in the Hands of the Bank. Is that in conformity with its previous Practice?

Most unquestionably. The Bank had as much as that in February 1844. The Amount then reached upwards of Sixteen Millions; and it cannot by any Possibility be shown how the Act of 1844 enabled the Bank at that Time to get or to hold such an Amount of Bullion.

3083. The Question is not whether the Bank ever before held such an Amount at any one Moment as it held in February 1844; but the Question is this, whether the Bank finding itself in such a Position in the Commencement of 1844, it would according to its previous Practice have been likely to have retained in its Possession any thing like that Amount of Bullion for Two Years and a Half subsequently?

I do not see any Reason to suppose that the Bank would have had during those Two Years and a Half a less Amount, for the Directors did all that was in their Power to reduce it. They immediately on the Act coming into operation reduced the Rate of Discount to Two and a Half per Cent., which I verily believe they would not have done if the Act of 1844 had not passed.

3084. Would it have been desirable that they should have retained 16,000,000*l.* of Bullion in their Coffers?

I should conceive that it was desirable.

3085. You say that they did all they could to employ the Money they had. Then if they had had the Control of 16,000,000*l.* would not they have tried to use that, as you say they did try to get Employment for what Capital they had?

They did their best as it was to get rid of it, but they did not succeed.

3086. Did not they at that Time offer Money at a lower Rate of Interest than they had ever offered it at upon any previous Occasion?

Precisely. They did all they could to reduce the Amount of their Reserve.

3087. Can you give any peculiar Instances within your own Knowledge in which it was obvious that the Rate of Interest had been reduced to the very Minimum on the Part of the Bank?

I never knew any Instance before in which they reduced it so low as they did then.

3088. Do you think that that very great Reduction in the Rate of Interest had the Effect during its Continuance of giving a great Stimulus to the Speculation which then took place, and to the System of Trading which was then going on on the Part of certain Parties?

Whenever there exist Motives to Enterprise, whether in the Shares of Joint Stock Companies or in Investments of any kind at home or abroad, a low Rate of Interest tends very considerably to promote and extend the Tendency to Speculation.

3089. Do you think that it had that Effect at that Period?

I think it had.

3090. Do you think that the Stimulus so given by that very low Rate at such a Time by the Bank of England had any Effect in producing the Reaction which took place at the Period of Distress?

I am inclined to think that the Effect of the Act was rather to promote a Tendency to an undue Extension of Credit, and consequent hazardous Enterprise,

Enterprise, from September 1844 to January 1847, and that the subsequent Contraction caused the Collapse to be so much more violent.

3091. Do you connect those Two Operations in any Degree with the Act of 1844?
I do connect them in a considerable Degree.

3092. Do you believe in the Power of the Bank to put out any considerable Quantity of Notes beyond what the Circulation will naturally take?
I conceive it has no Power at all over the Amount of its Circulation in the Hands of the Public.

3093. Not even for a Time?
No. When I say not for a Time, it may be to the Extent of Forty-eight Hours instead of Twenty-four Hours.

3094. Seeing the great Variations which have taken place in the Amount of Notes out at different Times; that in the Year 1825 the Amount of Notes out when the Public were relieved by an Issue of Notes was between Twenty-five and Twenty-six Millions; that through the greater Part of last Year the Amount averaged somewhere about Twenty Millions, and that at present it is reduced as low as 17,400,000 *l.*, are you not of opinion, considering the different Call for Notes and the different Want of Notes in the Country, according to the varying State of Things, that it is evident that any Regulation such as that created by the Act of 1844 simply by the Amount of Notes as compared with Bullion rests upon a false Basis?
It is, in my Opinion, entirely a false Basis. Perhaps I may be allowed to modify my Answer to the previous Question relating to the Power of the Bank over the Amount of its Circulation. I still say that it has no Power of its own Volition to extend the Amount of its Circulation in the Hands of the Public; but the Bank has the Power of reducing the Amount of the Notes in the Hands of the Public, not however without a very violent Operation.

3095. But it has no Power of extending it?
It has no Power of extending it.

3096. Is there nothing whatever that limits the Extension of the Circulation in your Opinion?
Yes; the Convenience of the Public in the Use of that particular Description of Paper.

3097. Do you hold that to be the same with respect to Private Banks?
Entirely so.

3098. Do you think that the Amount of Issues has nothing to do with the Amount of Advances?
No; there is no Coincidence that would justify the Inference that there is a Connexion between the Amount of Securities held by the Bank and the Amount of Notes in the Hands of the Public.

3099. Do you think that the Bank of England for instance might enlarge its Advances greatly, and yet lead to no additional Issue of Notes?
There are Facts in abundance to prove it; one of the most striking Instances was in 1835, when the Bank made use of the West India Deposits and of the Loan from the East India Company in extended Advances to the Public. At that Time the Amount of Notes in the Hands of the Public was actually rather diminished. And something like the same Discrepancy is observable in 1846 at the Time of the Payment of the Railway Deposits into the Bank; the Securities were increased to about Thirty Millions, while there was no perceptible Effect upon the Amount of Notes in the Hands of the Public.

3100. At that Period whatever the Bank received in the Shape of Deposits and invested in Securities, was taken from one Portion of Commerce and transferred to another?
Precisely.

3101. It is therefore a Fallacy to suppose that whenever the Bank grants any Accommodation, in the Shape of Discounts or otherwise, it grants it necessarily by the Emission of Bank Notes?
It is a very great Error, which confuses the reasoning of much that is written

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and said upon the Subject. Even the Directors often speak of issuing Notes when in point of fact no Notes are issued; when it is simply a Credit given. If a Merchant discounts Bills to the Amount of 10,000*l.* it is not necessary that a single Note should pass; in the great Majority of Cases he receives simply the Power of drawing upon the Bank, he passes his Check accordingly; that Check he sends to his Banker, and the Banker either sets it off against his Acceptances held by the Bank, or puts it to his Deposit Account there. I believe that a large Proportion of the Transactions of the Bank of England, whether for the Government Account or for mercantile Purposes, is conducted without the Intervention of Bank Notes.

3102. When a Reproach is made to the Bank, that at particular Periods of last Year they did not give sufficient Accommodation to the ordinary Trade of the Country, you do not consider it to be a valid Answer on their Part to point to the Amount of Bank Notes out at the same Period as a Proof that they did give that Accommodation?

Certainly it is a most insufficient Answer, exemplifying what I have stated as to the Confusion that prevails in reasoning upon that Subject. There is no observable Coincidence between the Amount of Accommodation given by the Bank and the Amount of Bank Notes in the Hands of the Public.

3103. Do not you conceive that One of the Fallacies upon which the Act of 1844 rests consists in not distinguishing between the Amount of Bank Notes and the Amount of the other Liabilities of the Bank?

Yes.

3104. You think that the Quantity of Paper representing the precious Metals in the Hands of the Public has nothing to do with the Value of the Paper as compared with the precious Metals themselves?

Nothing at all.

3105. Therefore any Quantity of Paper might be thrown into the Hands of the Public without at all disturbing the Proportion of the Value between the Paper and the Metal?

I do not admit the Power of the Bank to throw at their Will any Quantity of Paper into the Hands of the Public. The Maintenance of the Value of the Paper depends upon the Amount of Treasure in the Bank to fulfil its general Engagements.

3106. Sometime since you spoke of the Bank succeeding in checking the Efflux of Bullion in the last Year; in what Manner do you understand the Bank to have succeeded effectually in that Object?

By restricting in a very violent Degree the Extent of its Accommodation.

3107. In what Manner does that check the Efflux of Bullion?

A violent Restriction of Banking Accommodation, and the great consequent Advance in the Rate of Interest, render the Public Securities of this Country more a Subject of Investment to Foreigners. At the same Time Foreign Securities are sent from this Country to be realized abroad. The same Cause induces a Contraction of the mercantile Credit given by the Merchants of this Country to Merchants abroad. It induces also the Transmission of Commodities which otherwise would not have been exported, that is, they are in such Cases sent as a Means of drawing against without reference even to Prices; and it checks Importation. In short, a more general Expression is, that it forces Capital in its more compendious and ready Form, that is in Gold, into this Country instead of allowing it to go out.

3108. Supposing the Bank were, upon the Receipt of Bank Notes which had been issued, and which were returned upon it, to cancel those Notes altogether, and not to re-issue to the same Amount, what Effect would that have upon the Circulation of the Country?

The Bank could not be sure of being able to avoid re-issuing the same Amount unless all the Deposits that were payable on Demand were first discharged. The Depositors may require Bank Notes, and will require, under the Circumstances supposed.

3109. The

3109. The Right of the Depositors to Payment would be in no Degree altered. The Question refers to Bank Notes out upon Loan?

The Applications for Loans and Discounts would, in the Case supposed, be very greatly increased.

3110. For what Reason?

Bankers and other Persons having to make Payments in ordinary Transactions in London would require their usual Amount of Bank Notes according to the Extent of the Transactions then going forward.

3111. Therefore if by any such Process the Bank of England or any other great Institution were to reduce the Quantity of Notes in the hands of the Public there would be no greater Demand necessarily?

If the Bank acted forcibly in the Way mentioned, I should say that that would be the Effect; it would be a forcible Abstraction of Notes from the Public.

3112. In that Case the remaining Notes must necessarily acquire an enhanced Value?

That is one Mode of viewing it; but the real Operation would be that the different commercial Classes would be extremely incommoded, and that those who had any Command of Capital abroad, or the Means of bringing it from abroad, would bring it in the most ready Shape in which it would come, which would be in Gold.

3113. The Result would be that by enhancing the Value of Paper under such a Process as that there would be an Influx of Gold?

Yes.

3114. At the same Time would not there be a Depreciation in the Value of the Commodities obliged to be exported?

If it was necessarily through Commodities; but in general the first Operation is through Securities and Credit.

3115. That being the Result of the Process that you have described, if we were to reverse the Case, and to suppose the Possibility of the Bank placing a large Amount of Notes in the Hands of the Public, would not the necessary Effect of that be to produce an Efflux of Gold?

But they cannot do that.

3116. But assuming for the sake of Argument that they could, supposing that Means could be devised by which they could place any possible Quantity of Notes in the Hands of the Public at any given Moment, would not that have the Effect of producing an Efflux of those Metals which had heretofore served the Purposes for which Paper is subsequently used?

I do not question that it would necessarily have that Effect at the low Rate of Interest at which the Bank would endeavour to extend its Notes. The Case supposed would tend to force Capital abroad certainly, but in the proper Sense of the Word I cannot understand that it would be by any Diminution in the Value of the Paper. The Paper could not be of less Value than the Gold.

3117. The Paper represents Capital?

Yes.

3118. Then, although you think that if there was a forcible Contraction of the Issues of Paper in the Hands of the Public at any Moment that would induce an Importation of the precious Metals, you do not think that if there were a forcible Extension of the Circulation (supposing, for the sake of Argument that was possible), that would end in an Exportation of the precious Metals?

That is a State of Things which I cannot conceive. I do not admit the Power assumed of a forcible Extension of the Note Circulation. It could only be by a forcible Reduction of the Rate that the Attempt at such Extension could be made. The Tendency of a great Reduction in the Rate of Interest would be to force Capital abroad, and that would end in an Exportation of the precious Metals. The Effect would be produced by the Rate of Interest

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and not by the Amount of the Circulation, which might vary in an opposite Direction.

3119. Is it your Opinion that the Convertibility of the Note is itself a sufficient Security against over Issue, and that any Experience derived from a Period when the Note was not convertible is inapplicable to a State of convertible Currency?

Yes, it is.

3120. Do you conceive that there would be a greater Amount of Circulation required and taken from the Bank at Times when Transactions became more numerous and more weighty?

Yes.

3121. When Prices are rising, and there is a general Expectation of further Advance, are not Transactions much more numerous than they are at a Time of Depression and falling Prices?

Yes.

3122. Under those Circumstances would not there be the Means and would there not be the Necessity of making larger Loans on the part of the Bank during Times of comparative Increase of Price than at other Times?

No; I have not perceived that to be the Case, either as a Matter of Fact and Experience or from the Reason of the Thing. In the first place, during speculative Periods or Rising Prices the Buyers or the Operators are always in very good Credit, and the Operation is generally independent of any immediate Banking Accommodation; and even if it were not so, Bank Notes are never used as the Medium; when I say "never," I mean except in Retail and in Fairs, in Cattle-dealing and in Horse-dealing; but Bank Notes are not, generally speaking, the Medium of speculative Purchases of any Kind.

3123. Do not you conceive that the Power of acquiring Bank Notes forms one of the Elements, and is to a certain Extent an Exponent of the Degree of Credit which commercial Persons are enabled to obtain?

I do not think that Bank Notes necessarily enter into the Question of the Power of Purchase.

3124. Do you remember the Phrase which was used, describing 1*l.* Notes as the Legs upon which the 5*l.* Notes walked? Do not you think that Promissory Notes payable on Demand issued by the Bank of England form to a certain Extent the Legs upon which Credit walks?

No, I do not. If I were asked whether Coin forms the Legs, I should say I agree in that Opinion.

3125. Must not all Credit resolve itself ultimately into the Power of making Payments which can only be made through the Medium of Notes?

No. I conceive that the Notes are resolvable into Gold, as all other Obligations are resolvable into Bank Notes. The Bank Notes are invested with certain Uses partly conventional and partly by Law, therefore we distinguish them in Practice; but there is no Difference in Principle.

3126. So long as the Currency is convertible are not Notes and Coin the same thing?

Yes; unquestionably.

3127. Then do you conceive that under a Currency efficiently convertible there can be no unfavourable Action upon the Foreign Exchanges, and no Action upon Prices by an Increase of Issue?

If by Issue is meant Bank Notes in the Hands of the Public, I should say that there cannot. If by Issue is meant Advances, then I should say that there is the Power of producing considerable Effect; but the Advances, as I before said, are in no Degree commensurate with, they bear no certain Proportion to, the Amount of Bank Notes.

3128. These were not always your Opinions upon this Subject?

Most assuredly not.

3129. Will you have the goodness to explain to the Committee the Nature of the Phenomena which have come within your Observation, and have led to an Alteration of your Opinions in this respect?

As well as I can now remember it was the Controversy which took place consequent upon the monetary Derangement in 1836-37, which led me to suspect the Existence of the Error which, as I now believe, lies at the Bottom of the Theory which ascribes to the Bank of England and other issuing Banks a direct Power over the Amount of the Circulation, and thence an Influence on Prices, being the Theory upon which the Act of 1844 has been founded. It is an Error in which I participated. I conceived that Bank Notes, issued as they are in this Country, were in their essential Conditions similar to Government Paper Money; that there was a Power in the Banks to extend the Circulation, and to keep the Amount in Circulation short only of the Effect of Convertibility in forcing out the Coin for which they are or ought to be convertible; that in point of fact it was only through that Process that the Effect was produced of limiting the Amount of the Circulation so as to preserve the Convertibility. I did not sufficiently perceive that Bank Notes issued on Loan for short Periods, and strictly convertible, are simply the Effect of Transactions and not Causes of them. But in the renewed Researches which I was led into on that Occasion, I found that the Facts were totally irreconcileable with the Theory in question, and a further Investigation into the Rationale of the Connexion between Prices and the Circulation has perfectly satisfied me that Bank Notes are simply the Effect of Transactions. They may or may not be the Effect of Prices; but I should say generally that they vary more according to the Nature and Amount of pecuniary Transactions connected with the State of Trade than according to Prices.

3130. You have compared in your Statements the Effect of a Bank Note Issue with that of the Issue of Government Paper. By "Government Paper," do you mean Paper inconvertible into Specie issued by the Authority of the Government?

Issued by the Authority of Government, and forced into and remaining in Circulation.

3131. Being convertible it would have the same Effect, and be of the same Value, whether issued by the Bank or by the Government?

If it was convertible, as, for instance, upon the present Footing of the Russian Government Bank, which undertakes to pay in Silver on Demand, in that Case there is no Difference.

3132. What do you consider to be the Power of the Bank over the Rate of Interest of Money?

I consider that dealing on so very large a Scale with its own Capital, and the Deposits from the Government Revenue, and the Exchequer Balances, it may cause a very considerable temporary Variation, distinct from what would be the ordinary Market Rate.

3133. Looking at the Phenomena we have seen with respect to the Interest of Money during late Years, that at one Period the Bank has been lending Money as low as Two per Cent., while at a latter Period it was up at Ten per Cent., do not you consider those extreme Variations to be mainly owing to the Operations of the Bank of England?

Yes, I do.

3134. Do not you consider those extreme Variations as very prejudicial to the ordinary Trade of the Country?

I consider them to be very inconvenient.

3135. Looking at the State of Things last Year, in connexion with your Acquaintance with the Business of the City, should you say that the Loss of Property and the Loss of Capital to Merchants upon the Value of their Securities, and upon the Value of different Merchandize that they held, must have been very severe, owing to the State of Things during the Year?

I conceive that it was very severe. The Sacrifices of every Description of Securities and other Property have been very severe indeed.

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3136. Would not your Evidence rather go to show that a Restriction should be imposed upon the Bank of England in respect to the Management of its Banking as well as its Issue Department?

To be consistent it would. The only Mode in which any Restriction could be imposed upon the Banking Department would be to say that for their Liabilities they should hold a certain Amount of Bullion; not that I conceive that it would be practicable, but that would be the consistent Course; it would however be perfectly impracticable. I only point out the Inconsistency. I never could understand, from the Moment it was proposed, why there should be a different Guarantee to the Public for the Notes of the Bank as compared with its other Obligations.

3137. You were understood to say that it was impossible for any Bank to keep a larger Circulation out than is commensurate with the Wants of the Public; then, if so, there is no Fear under any Circumstances of a Depreciation of the Note?

Not as long as it is convertible. That is an Impossibility in my Opinion; in point of fact it is almost a Contradiction in Terms.

3138. If you put no Restriction upon the Issue, how would you insure the Convertibility of the Note?

Simply by the Responsibility of the Bank.

3139. In fact it would depend upon the Solvency or Insolvency of the Bank?

Unquestionably.

3140. You alluded to the Jeopardy in which you conceived the Banking Department of the Bank to have been placed in September 1847. Your Attention is requested to an Answer which was given by a Witness before this Committee. "I cannot allow that the Bank was in any Danger of suspending "its Payments. I will take the Reserve as it read upon the Friday Night "previous to the Letter being issued upon the Monday. I do not take the "Saturday, because we were then acting under the expected Issue of the "Letter. The Bank Reserve at that Period, the Friday, was 2,376,000 *l.* We "should have had no Difficulty whatever in meeting all our Liabilities. We "should not have been able to give the same Extent of Accommodation that "Parties were requiring from us. Parties came, and thought they had only to "ask for Money, and they would have it at once. We might have put into the "Account a considerable Amount by selling Consols. We had going off weekly "Bills to the Extent of 1,500,000 *l.*, so that by discounting even at the Rate of "100,000 *l.* a Day, to give the Public some Accommodation, our Reserve would "still have increased at the Rate of 900,000 *l.* a Week. It is certain that in a "very short Period we should have had as large a Reserve as would be necessary "for our Purposes; and therefore I maintain that the Bank was never at any "Period in Jeopardy." If you were told that that was the Opinion of the Governor of the Bank of England, would you say that he took a very erroneous View of the Situation of the Bank at that Moment?

It would entirely depend upon what is meant by the Term "Jeopardy." I did not go the Length of saying, that I thought they could not maintain their Payments, but I considered that they would be in very great Difficulty in doing so. I do not imagine that the Governor of the Bank or anybody could form an adequate Conception of what might or might not have been the Difficulty of the Week following the 23d of October. The Governor talks of selling Consols. It might be. But I can easily conceive a State of Things in which the Bank could not have sold Consols at all. If they had withheld Bank Notes from the Public to the Extent which is supposed in that Answer I do not believe that Bank Notes would have been found to pay for the Consols.

3141. Your Attention is further requested to the following Question and Answer. "The Letter was not asked for by the Court?" (That is, the Court of Directors.) The Answer is, "Decidedly not. The Minute is as follows: "'At a Court of Directors at the Bank, on Monday the 25th of October 1847, "Resolved, "That this Court desires to record its Opinion that no Deviation "from the Provisions of the Act of 1844 regulating the Currency is required "in

" in consequence of any Difficulties on the Part of this Corporation, but they " consent to the Measure recommended by Her Majesty's Government upon the " Grounds of public Necessity urged by the First Lord of the Treasury and the " Chancellor of the Exchequer.' This Resolution was passed at the same Court " at which I communicated the Letter of the Government, and we recorded this " as an Opinion that it was not necessary for our own Protection." You are of opinion that the Directers of the Bank of England did not take a correct View of their Position?

I doubt whether either the Directors or any body else could be justified in giving a confident Opinion upon what might have been their Situation in the Week following the 23d of October. There may be a difference of Opinion upon that. My Opinion is that they were in Jeopardy.

3142. The Governor of the Bank further stated: " What I mean to state is, " that the Bank would have been able to give fair Accommodation to the Public " without injuring itself; that we had about a Million and a Half of Bills " which were going off weekly, which was a very large Amount; that if the " Bank continued its Discount to the Extent of Seven or Eight hundred " thousand Pounds a Week, we should still have been adding considerably to " our Reserve." You do not believe this to be a correct View of the Position of the Bank.

I cannot say that it is an incorrect one. It is an Opinion upon Contingencies upon which I do not quite concur.

3143. Assuming that Opinion to be correct, in your Judgment could those Steps of selling Consols and narrowing their Discount Accommodation have been resorted to without producing very calamitous Effects upon the Public?

It is precisely the Necessity which they would have been under of endeavouring to adopt those Measures which leads me to suppose that the Week following the 23d of October would have been such as no Experience either of the Governor or the Directors of the Bank or any person existing could form a clear Opinion upon. I am very much inclined to think that there would have been what might be termed nearly a Suspension of Business, in consequence of the Difficulty that Persons would have found in meeting their current Engagements; something like an Understanding that nobody should pay anybody.

3144. What is your Opinion respecting the Publication of the Bank Accounts?

I think it is inconveniently frequent. I do not know any Advantage from it.

3145. You think it promotes Panic and Alarm?

Certainly; at Periods when the Bank Reserve, as we have seen, has been greatly reduced, especially at the Dividend Periods.

3146. Should you, on the whole, be perfectly content with leaving the Circulation of the Country in the Hands of the Bank without any Provision for checking or controlling it?

Unquestionably, as compared with the present System.

3147. But without comparing it with the present System, what should you say?

My opinion is that the Bank Direction must have acquired so much Experience, and have been so well convinced of the Errors of Judgment which were committed by the Bank in 1825, in 1835, 1836, and again in 1839, that I think a Repetition of that Description of Error would not be probable.

3148. Are you aware that those who have been principally concerned in the Direction of the Bank have expressed an Opinion that with that Experience before their Eyes, they should not be able adequately to control the Bank without some Sort of legislative Check?

I have understood certainly that those Directors who were witness to what I may call too great Laxity of Management at the Periods that have been alluded to have now, as far as I can judge, taken rather an extreme View on the other Side. At the same Time I believe, with respect to the Management of the Bank in 1839, it may be said in vindication of it, judging by the Event, that it really

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really did preserve the Commerce of the Country from a very severe Pressure, which otherwise it would probably have encouutered.

3149. Are you aware that the same Persons have stated that the great Difficulty which the Bank have had and would continue to have, in pursuing a wise Course with respect to restricting their Operations, arises from the Probability of a Pressure from without, which nothing but a legislative Enactment would enable them to resist?

That is not a View that I concur in. I believe that if any Arrangement could be made such as should require the Bank Directors to hold an average Amount of Bullion of not less than 10,000,000*l*., that would go a great Way towards the Sort of Security that is desired, and in my Opinion nearly the only Security that you can reasonably expect to obtain without Machinery that would be exceedingly inconvenient, like the present.

3150. You do not think there need be any legal Restriction as to the Proportion between Paper and Gold?

No; because I do not conceive that the Amount of the Liabilities is a Test of the Amount of Bullion that would be required to meet them. The Amount of Bullion is acted upon, except under particular Circumstances, chiefly by the State of the Foreign Exchanges; and I believe that with the Amount of Bullion they now have the Directors might, without any considerable Effort, or any considerable Inconvenience to the Public, manage to preserve I should say at least Five or Six Millions beyond the Amount they had on an average between 1832 and 1843. With that Amount of Bullion, and subject to their representing the State of it, and accounting to the Government for any Circumstances in which it might be reduced below Ten Millions, I think every Purpose would be answered.

3151. What do you mean by the Expression "accounting to the Government"?

Reporting to the Treasury any Circumstances which led them to suppose that the Drain was a very considerable one.

3152. But giving to the Government no Power of checking or controlling their Actions?

I conceive that would be a virtual Control, and that it would be sufficient. I have understood, for instance, that in the Case of the great and rather rapid Drain that took place upon the Bank of England in 1832 the Governors did communicate with Lord Grey's Administration, and that the Course they took was with the Understanding that they had the general Sanction of the Government.

3153. You were understood to say that they should account to the Government when the Amount of their Bullion was under Ten Millions; do you mean Gold and Silver or Gold exclusively?

Indifferently. I conceive that Silver is quite as applicable to correct the Exchanges as Gold.

3154. Upon that Report being made, what step do you think that the Government should take to increase the Amount of Bullion?

I should say that I have no Objection, after all the Experience that has been obtained, to leave it in the Hands of the Bank Directors. If there is an Interference of the Government it really comes to the same thing, exactly as that which is proposed by what is called a Relaxing Clause.

3155. How would you propose that the Relaxing Clause should act?

The difficulty of framing any satisfactory Regulation upon the Subject leads me to suppose that upon the whole you must at last leave it to the Responsibility of the Directors. I cannot see any better Course.

3156. Are the Committee to gather from the whole of your Examination that your Opinion is that the Bank Directors ought always to have a large Amount of Treasure?

Precisely.

3157. At the same Time you object to the Act of 1844, although the Tendency of that Act is to secure a considerable Amount of Treasure?

I am not prepared to admit that such is the Tendency of the Act of 1844, but it secures only Half the Amount of Treasure to that Part of the Liabilities which is most subject to Fluctuation.

3158. That is your Objection to the Act?

Yes, that is my Objection, but not the only one.

The Witness is directed to withdraw.

Ordered, That this Committee be adjourned till To-morrow, Two o'Clock.

Die Veneris, 31° *Martii* 1848.

The LORD PRESIDENT in the Chair.

WILLIAM COTTON Esquire is called in, and examined as follows:

3159. How long have you been a Director of the Bank of England?
Since the Year 1822.

3160. During Part of that Time you were Governor of the Bank?
I was elected Deputy Governor in 1841, and Governor in 1842, 1843, and 1844.

3161. You were Governor of the Bank at the Time when the Act of 1844 was introduced into Parliament?
I was.

3162. Did you at that Time form any decided Opinion as to the Expediency of introducing such an Act?
I did.

3163. Was your Opinion favourable to the Introduction of the Act, or the contrary?
Very favourable.

3164. Having formed those favourable Anticipations of the Act, do you consider that the Act has since that Time been attended with beneficial Consequences upon the Affairs of the Bank, and upon the general Condition of Business?
I think it has conferred inestimable Benefits, both upon the Banking Operations of the Country and also upon Business.

3165. No Incident has occurred during that Time to shake your Opinion in that respect?
None.

3166. Are you of opinion that the Existence of that Act materially affected the Proceedings of the Bank of England in the Commencement of last Year, when great Distress arose in various Branches of Trade?
I think it no further affected it than would have been the Case if it was known that the Bank acted upon sound Principles.

3167. Do you think it probable that they would have acted upon those sound Principles had no such Act been in existence compelling them to do so?
I believe that they might have so acted; but as to the Certainty of their so acting I entertain Doubts.

3168. Do you consider that no Reliance can be placed upon the Certainty of of their so acting for the future without the Continuance of the Act?
I do not think that perfect Reliance could be placed. A Deviation from sound Principles of Currency might be adopted under the Idea that the Inducement to do so was only temporary.

3169. Do you think that the Non-existence of the Act would have the Effect, under a Recurrence of the same Circumstances as those which took place last Year, of increasing the Pressure for Accommodation upon the Bank of England?
I think we should have had a Run for Gold, and a Currency Discredit in addition to commercial Discredit.

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3170. Do your Observations apply to the Recurrence of Distress in the Autumn of the Year, as well as that which occurred in the early Part of the Year, and previously in 1846?

Yes. The first Difficulty in the Money Market occurred in February 1846 from a Misunderstanding. It was asserted that the Ten or Eleven Millions which was to be paid in for the Railway Deposits into the Exchequer would be so much abstracted, not from the Capital, but from the Circulation of the Country. As soon as it was paid into the Bank it was lent out again, and it did not therefore materially affect the Circulation. In April 1847 considerable Difficulties occurred; Parties were alarmed by the small Amount of Deposit unemployed, or the Reserve that remained in the Banking Department to meet its Liabilities. This was occasioned by a very large Increase in the Discounts just previously to the Payment of the Dividends, I believe only a Week before, in order to export Gold to America; and a Portion of the Money lent out not being repayable exactly at the Period when the Dividends were paid, and in consequence a smaller Amount than the Public expected remained unemployed in the Banking Department

3171. The Panic which you state to have occurred in February 1846 had nothing to do with the Distress in 1847?

No, that was over; but the Remembrance of it, I believe, produced some Effect.

3172. With respect to the Difficulty in February 1846, be so good as to turn to the State of the Bullion in the Bank in both Departments. In January, February, and March 1846, will you state what was the Amount of Bullion in the Bank in the Two Departments?

It was about 13,000,000*l.*

3173. Generally speaking it ran about the Average of 13,000,000*l.*?

Yes.

3174. Do you consider that to be an Amount of Bullion with which the Bank may be perfectly easy under any Circumstances?

Perfectly easy.

3175. Then what Alarm could there be with respect to the Condition of the Bank, seeing that during those Three Months there was an average Amount of Treasure in the Bank of 13,000,000 *l.*?

There was no Alarm with respect to the Condition of the Bank; the Alarm was on the Part of the Public, from fancying that if 11,000,000 *l.* was paid in for Railway Calls, 11,000,000 *l.* of Notes would be abstracted from the Circulation of the Country.

3176. Then that Apprehension or Panic on the Part of the Public must have had its Foundation in the Fact of the Act of 1844 making this new Regulation for the Separation of the different Departments of the Bank?

It arose from an Apprehension that we could not manufacture Notes in order to enable the Public to make those Deposits; and the Panic was dispelled when it was found that we did not want to manufacture Notes for the Purpose, and that when the Notes came in for Deposits we lent them out again upon Securities.

3177. And that various Transfers were made between the Banks?

Yes; from Balances which were in the Bank.

3178. You have stated that you were concerned in the Arrangement of the Act of 1844, that you were in favour of it, and had some Share in bringing out that Arrangement?

I was requested by the Court of Directors to continue Governor of the Bank for a Third Year, in consequence of my having commenced the Negotiation with Her Majesty's Government; and in the Situation in which I was placed, I had frequent unreserved and confidential Communications with the Prime Minister and Chancellor of the Exchequer, with reference to the Arrangements proposed to be made.

3179. During that Discussion was not the Question of the restrictive Clause seriously discussed?

Several of the Merchants and Bankers pressed it upon the Consideration of the First Lord of the Treasury. The Subject was very fully and seriously considered,

considered, and the Result was, that it was thought desirable to enact the restrictive Clause.

3180. Did the Principle of that restrictive Clause originate with the Bank or with the Treasury?

The Principle of the restrictive Clause, I think, originated with Mr. Loyd and Mr. Norman, and those who had been examined on the Subject.

3181. Was there much Difference of Opinion in the Direction of the Bank about it at the Time?

No, not much; the great Majority were, I believe, in favour of it.

3182. Was not it seriously discussed whether there should not be some relaxing Power?

Yes; it was seriously discussed.

3183. Was there any Suggestion thrown out upon that Point which was thought likely at one Time to be adopted?

There was a Suggestion thrown out, not by the Bank but by others, that certain Persons in the Government, I think the First Lord of the Treasury, the Chancellor of the Exchequer, and the Master of the Mint, should have the Power to relax the restricting Clause.

3184. What were the Objections which were felt to such Relaxation being provided for?

That if a Power of Relaxation existed it would be tantamount to an Issue of Notes upon a larger or unlimited Amount of Securities, inasmuch as the Public would have looked to that Power of Relaxation for Relief from any Difficulties in which they became involved.

3185. Had there been such a relaxing Clause in the Bill, do you imagine that the Bank would have acted upon it sooner in the course of the last Year than they did act under the Recommendation of the Treasury Letter?

I think there would have been great Danger of their doing so; and I believe that if they had acted upon it in February 1846, when the Parties pressed the Government to relax it, and if they had relaxed it in April 1847, the Consequence would have been only to put off the Pressure, and that Paper would have been substituted for a Portion of the Gold in Circulation.

3186. If there had been such a relaxing Clause, and the Government had acted upon it sooner (as you state that you think they would) than the Time when the Treasury Letter was issued, do you think that any Advantage would have accrued, or the contrary, to the Commerce of the Country from their so doing?

I think that no Advantage whatever would have accrued to the Commerce of the Country. The Effect would have been to reduce the Bullion in the Hands of the Bank of England, and when the Time of Trial arrived, for it would have arrived, instead of 8,000,000 *l.* we probably should not have had Six in the Bank.

3187. Do you think that the Treasury Letter was issued sooner that it ought to have been?

In my own Judgment, it was issued rather too soon.

3188. But certainly not later than it ought to have been?

In my humble Judgment, certainly not later.

3189. Do you approve of the Issue of it?

I should have waited till I saw more serious Cause for it. The Maintenance of the restrictive Clause is so important that I should have risked the Chance of more serious Inconvenience than was felt rather than have relaxed it.

3190. You are not in Business yourself?

I am scarcely in Business.

3191. So that you are not yourself in a Position to judge immediately of the Distress among the Class of Merchants who were for many Months together under an Inability to meet their daily Engagements?

I do not think that many Merchants were in such a State of Inability. They might have had to pay more Interest for Money, but I never recollect a Time since

since I came into the Bank when the Bills of Exchange which came to Maturity, in our possession, were more promptly paid than they were at that Period; and I do not recollect any Time of Difficulty when the Bills accepted by Houses that had failed, and which had been discounted, were more promptly retired. My Judgment, therefore, is that the commercial Distress arising from the Want of Money must have been very greatly exaggerated. It may be presumptuous in me to say so, but I think that a Person who is not under commercial Difficulty is much better able to judge of the Extent of Suffering than a Person who is under Difficulty, and who always exaggerates the Amount of it.

3192. So that if it has been stated to the Committee that the Failures and commercial Difficulties during the Year 1847, particularly during the latter Part of it, were greatly aggravated by the Want of Accommodation from the Bank, and if it has been stated that the Losses of Capital to the general Body of the Merchants of the Country, both in London and in the Outports, has been greater than ever was known before, that the Distress has been intense, and that the Sufferings of Trade have been great, you believe all that to be great Exaggeration?

I consider it greatly exaggerated. I do not think that the Distress was any thing equal to what it was in the Years 1825 and 1839. Fewer Banks and solvent Houses who had their Capital under reasonable Control suspended Payment than at those Periods. In October 1847 the Bank of England did not refuse to discount Paper, but charged a higher Rate.

3193. Was there not in the course of last Year a greater Amount of Trade going on upon what might be called pure Speculation, and without a sufficient Basis, than at the previous Periods to which you have alluded?

There were a few American Houses in 1839 who were carrying on a very large Business beyond the fair Business in which they ought to have been engaged. But my Impression is, that there never was a Time when many Parties had engaged in Operations so much beyond what they ought to have done with reference to their Capital as in the Year 1847.

3194. That being the Case, was it not a necessary Consequence that the Distress, as measured by the Number of Failures, must have been greater than at any former Time?

Unquestionably, considering what occurred in 1847. The very large Payments for Food, the Failures in the Corn Trade, the Amount of Calls for Capital for Railways, and also the Failure of the India and other Houses, and the Exposure of the very small Amount of real Capital, and in many Cases minus Capital, under which they carried on a large Amount of Business, I think we might have expected many more solvent Houses to have failed.

3195. In what particular Branches of Trade was there this imprudent Extension of Credit in the last Year, to which you allude, which distinguished that Period from other Periods of Commerce in London?

There was a very large, and I think indiscreet, Extension of Trade beyond the Capital the Parties had to carry it on, in the Corn Trade, in consequence of the Profits which had resulted from the first Importations of Corn. In the India Trade there was a larger Extent of Trade carried on than was justified by the Amount of Capital, and which had been supplied by renewing Bills. There was also a very large Amount, far beyond what the Parties were justified in appropriating, on fixed Securities in the Mauritius Trade. After the Failure of One or Two Houses it appeared that Credit had been stretched to a most unreasonable Extent, larger than I ever recollect.

3196. The Failures arising from the Corn Trade were in consequence of mistaken Speculations, the Parties being induced by the high Price to overspeculate in Corn?

They were.

3197. Was it not the Fact that that Trade was not carried on with any extended Credit more than usual, but that the Dealers in Corn gave Orders abroad, either in America or in the Baltic, for Corn, and were probably drawn upon

upon in the usual Way, so that there was no great Extension of Credit in it, but mere mistaken Speculation?

In the Corn Trade it was an Extension of Operation beyond reasonable Bounds rather than an Extension of Credit.

3198. Was not the Case of the Mauritius the Case of the Sugar-producing Colonies in all parts of the World?

The Mauritius was very much in the same State, owing to the Losses incurred in the Production of Sugar, as other Sugar-producing Countries in other Parts of the World; but Advances were made by Houses here to the Mauritius, not merely of their own Capital, but of Capital which they had raised upon Credit.

3199. With respect to the India Trade, can you state in what Manner an extensive and imprudent Credit prevailed in the Trade with India?

The System had increased during the Years 1845 and 1846 of Manufacturers exporting through Merchants in London, and drawing upon them Bills of Exchange of a certain Date, and engaging to renew those Bills; it was therefore not the Capital of the House which was exporting, but the Capital of others, borrowed on Discount by the Manufacturers, and most extensive Advances were made to Houses in India for Indigo, Sugar, and other Works.

3200. Has not that System in the India Trade continued for many Years past?

I think it increased in the Years previous to 1847.

3201. Upon the present System which the Bank adopts of regulating the Demands upon it for Discount by raising and lowering the Interest of Money, do not you consider that the Bank, when it afforded Accommodation to the Public at Two to Three per Cent., very much encouraged that very Extension of the System of Credit which you think has been so imprudently indulged in?

I do not think it did, because it did not go so low with regard to the Rate of Interest as the current Rate of Interest in the Market. At that Time the minimum Rate of Interest in the Market was Two per Cent., and the Bank's was put at Two and a Half; so that it did not lead, it only followed the Rate of Interest in the Market.

3202. Was not Part of your Advances made upon those very long India Bills?

There were some Advances upon long India Bills, but not to any very great Extent.

3203. Was not that a new Transaction with the Bank? They did not formerly discount those long Bills at all, or lend upon them, did they?

We lent upon them in the quarterly Advances. We had done so for many Years on Bills having more than Ninety-five Days to run.

3204. But you did not discount them?

No; and we do not discount them now.

3205. There were also Advances made upon Railway Securities, were there not?

I do not think there were any Advances upon Railway Securities, but we purchased Railway Bonds.

3206. To the Extent of between Two and Three Millions?

I think the Extent was about 2,000,000*l.*

3207. You stated that the Amount of Money that was invested in Railways in 1846 and 1847 was amongst the Causes that produced the commercial Pressure?

I am of that Opinion.

3208. What Effect do you think was produced upon Railway Speculation by the Bank of England becoming Purchasers of those Railway Debentures?

I do not think that any Effect was produced. It was only the very best Description of Railway Debentures, London and Birmingham, and one or two others, that we held.

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3209. Had the Bank ever at any previous Period dealt in such Securities?
I cannot recollect the Date when we first did so, but we had held them for several Years; I believe, a Portion of them from the Year 1841.

3210. Do not you conceive that the Circumstances of the Bank of England investing Capital to the Extent of several Millions on Railway Securities must have had the Effect of enhancing the general Currency of such Securities?
I have always considered Railway Bonds, when there was a surplus Income, a very good Security. We never advanced any Money or bought any Railway Debentures when the Railway at the Time was not yielding a very ample surplus Revenue.

3211. Without doubting that for a Moment, the Question is, whether you conceive that the Fact of the Bank of England dealing in such Securities had or had not the Effect of adding to the Credit of Railways generally?
I do not think it produced that Effect.

3212. You think it was a Matter of Indifference?
I do not think it attracted the Notice of the Public. It was not known for a long Time.

3213. Do you state that in your Opinion the Bank does not regulate the Rate of Interest in the Market in London?
I do not think that the Bank can regulate the Rate of Interest.

3214. Nor influence it at all?
It may influence it, but it cannot regulate it. If it places its Rate of Interest below the Market Rate, the Pressure upon it would be so great that it must raise it again; if, on the contrary, it keeps up a high Rate of Interest, it will lead to an Influx of the precious Metals, and it will lose its Discount Business.

3215. How many Millions has the Bank disposable upon the Average for advancing at Interest in various Shapes?
That depends upon the State of the Exchequer Account and upon the State of the Deposits, in addition to its own Capital and its Rest.

3216. And its Issues of Bank Notes?
No. Bank Notes are issued on an Advance to the Government of 11,000,000*l.*, and 3,000,000*l.* of other Government Securities.

3217. Do you suppose that a Bank, having the exclusive power of issuing Bank Notes in the Metropolitan District, having large Deposits of public Money, and having large Deposits of private Money, would not, by the Extension or Contraction of the Accommodation that it may grant, have the Power of regulating the Value of the Capital which they advance?
The Issue of Notes is not under the Control of the Bank. It may influence the Rate of Interest for a Time; but as I have stated that the Rate of Interest is regulated by the general Rate of Interest and the Value of Money all over the World.

3218. Supposing a certain Sum given out to the trading Public of 10,000,000*l.*, or 15,000,000*l.*, or 20,000,000*l.*, or any given Sum; does not the Power which the Bank has of calling it in, or not calling it in, give it an absolute Power over the Value of Capital?
I do not think it gives it an absolute permanent Power over the Value of Capital any more than the Circumstance of a rich Man locking up his Money would have that Effect. If the Bank did so they would lose their Interest and Profits on such Amounts.

3219. If you can conceive some very rich Man having the Millions which the Bank has in its Coffers, would not that very rich man have that Power of acting upon the commercial Body?
I understand the Question to be, whether the Bank, being a large Capitalist in the Market, could, by lending Money out at a lower Rate than other People, reduce the Rate of Interest, or if it could not, by refusing to lend it out, raise the Rate of Interest. It could for a Time only. It would affect the Exchanges. In the first Case it would ultimately bring in Gold, and reduce the Rate of Interest; and in the other Case, it would cause an Export of the precious Metals, and a Rate of Interest would again be established as if that Action had not taken place.

3220. Do not you consider that variations in the Rate of interest from Two to three per Cent. at one Time up to Nine and Ten per Cent. at another, on the Part of the Bank, are destructive of the ordinary Commerce of the Country?

I do not think that they are destructive of the ordinary Operations of the Country unless they are done indiscreetly. The Power of raising the Rate of Interest or depressing the Rate of Interest for a Time is one which, like every other Power, may be used indiscreetly. With regard to raising the Rate of Interest up to Nine per Cent., I consider that that was a very much better Plan than altogether refusing to accommodate the Public.

3221. Would the Bank have been put to any more inconvenience at the Time of those difficulties if it had regulated its Advances by its old Custom of the Interest not exceeding Five per Cent.?

I think it would. I think that the raising the Rate of Interest up to Six, Seven, Eight, or Nine per Cent. induced many Parties to bring their Capital from other Countries, and to introduce a large Amount of the precious Metals. The Amount of the precious Metals introduced into this Country in October 1847 amounted to 1,100,000 *l.*

3222. Was not it coming in during the whole of the latter Part of the Year? Was not the Bullion coming into the Country, and were not the Exchanges favourable, after the Month of April?

After the Month of April all the Exchanges, I believe, were favourable, and after the Month of April our interest was raised to Five per Cent. It was raised in April to Five and in May to Six; and that, I believe, encouraged the Importation of a larger Amount of the precious metals.

3223. Was not the Importation of the precious Metals going on during the whole Period after April?

It was. It was going on through that whole period. The difficulty in which we were placed was by parties locking up their Money, and not employing it; and the best Way, I think, to induce them to employ their money, and to prevent Persons from applying to us unnecessarily, was to raise the Rate of interest.

3224. Was it necessary to raise the rate of interest in order to correct the Exchanges in October?

It made them more active for the Importation of Gold.

3225. Do not you think that that result was obtained at a very severe Cost to many parties who, though they then failed, have since turned out to be solvent?

There are very few parties that have failed who were solvent; and, with respect to those Parties who have failed who were solvent, although they had Property it was unavailable Property.

3226. Do not you think that many other Parties who have not failed must have sustained very serious Losses?

I do not think they have. I think it is a much better thing to be able to obtain Money at a high Rate of Interest than to be refused it altogether. The Bank had only the Two alternatives, one to act upon the Principle which they did in April, of refusing Discounts or limiting the Amount of Discounts, the other was to raise the Rate of Interest so as to induce Parties not to come to them if they could possibly avoid it.

3227. Were Parties refused Accommodation at any of the Branches of the Bank of of England?

I am not aware that in October they were refused the usual Accommodation.

3228. In October the Committee have had evidence that such was the Case, but you are not aware of it?

I am not aware of it; but it is possible.

3229. They were refused in April?

They were refused in April. The Bank having a larger Amount of Securities than they considered desirable in April, the Amount of the Balance of the Banking Department being at that Time small, Parties were refused Discounts in April.

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3230. How long did that State of Things continue of the Bank refusing to discount?

I cannot state.

3231. By the Papers before the House it does not appear that the Bank discounted paper in April at any very high Rate of Interest; do you therefore mean, when you say that you refused Paper, that you refused it at the current Rate of Interest in the Market, or that you would have refused it still if Parties had been prepared to pay Seven or Eight per Cent. for the Money?

We refused it positively.

3232. And it was refused at that Time, not on account of any Doubts as to the Securities offered to you by the particular Houses that asked for a Loan, but upon the general Principle that the State of Things did not warrant any increased issue?

It was not a Question of increased Issue, for we had no power to increase the Issue, but it was that we held a larger amount of Securities in the Banking Department than we thought we ought to hold; and the Method adopted for reducing that Amount of Securities was to refuse to discount for Parties who applied to us. There was no Offer made to discount at a higher Rate.

3233. Did not the Bank at that Time hold a large Amount of public Securities?

In April they had borrowed Notes upon a Portion of their Securities, and had parted with a good many; they still held a considerable Amount.

3234. Supposing Parties to have been ready to pay as high a Rate of Interest for Discount as Seven or Eight per Cent., might it not have been worth the while of the Bank to have gone into the Market with some of its public Securities, and thereby to have obtained Money with which to continue to discount good Paper at a high Rate of Interest?

I think it might have been a better Course, less oppressive to the Public.

3235. From the Evidence which you have given you seem to consider that the Bank have no real Power of regulating the Interest of money, but that it is regulated by the Value of Money in the Market, and by natural Means?

I believe I stated that I thought that for a Time the Bank might act upon the Rate of Interest, but that the Rate of Interest would ultimately adjust itself.

3236. That it would adjust itself between Country and Country?

Yes.

3237. By producing an Influx from a Country where the Interest was low into a Country where the Interest was high?

Exactly so.

3238. Would not the tendency of that be to produce under general Circumstances, of course open to peculiar Exceptions in particular Cases, an average Rate of Interest over the civilized Portion, say, of Europe, wherever similar commercial Relations exist?

It does not produce an average Rate of interest, because one Country may be differently circumstanced to another; the Rate of Interest may be high in one Country, and low in another; but still if it was higher than ordinary in one Country and lower than ordinary in another, it would cause an Influx of the precious Metals from the Country where it was lowest to that where it was highest. If the Question is this, whether there would be an equal Rate of Interest all over the World, I do not think there will.

3239. Will it not be the Case all over the civilized World having commercial Relations, like the Relations which subsist in Europe?

I will take the European States. If the Rate of Interest were to rise very much in France or in Germany, or any where else, the Probability is, that Money would go over there to be employed.

3240. Are the actual Facts of the Case corresponding to the Theory which you have laid down, or what have been the comparative Rates of Interest in the Year 1847 as between France and England?

I hardly recollect the Rate of Interest in France. I think the Rate of Interest in England was much higher than the Rate of Interest in France.

3241. Take

3241. Take it as indicated by the Rate at which the Discounts of the Bank of France have been carried on during the Year 1847.

The Rate of Interest in France in 1847 was lower than the Rate of Interest in England, which tended to an Influx of the precious Metals and of Capital from France to England.

2342. Even anterior to the Influx of Bullion from France to England, was there not both a lower Rate of Interest for Money in France, and greater Steadiness in the Rate of Interest for Money in France, than there was in England?

I do not know that I am competent to answer that Question. I believe there was.

3243. There was a Fluctuation between the highest and the lowest Rate of Discount at the Bank of England in the Year 1847 of upwards of Six per Cent. Was there any corresponding Fluctuation in France?

I believe not.

3244. Do you know any other Part of Europe in which there was a similar Fluctuation?

I think there was at Hamburg.

3245. To the Amount of Six per Cent.?

I am not sure. There have been frequently great Fluctuations at Hamburg.

3246. In your commercial Experience did you ever know such a Fluctuation in the Rate of Interest as occurred in the Year 1847?

I never did.

3247. Is it simply to the Causes to which you have alluded that you attribute that Fluctuation, namely, the Payments for Corn, the Amount of Railway Speculation, and the over Speculation in some Branches of Trade leading to Failures; do you acribe that Effect to those Three Causes alone?

I attribute it to the Importation of Corn, the Railway Speculation, the Expansion of Credit, the Failure of Houses in the Corn Trade, and the great commercial Discredit which arose from the Failures which then took place.

3248. Was there any other Cause that added to those Fluctuations, in your Judgment?

I am not aware of any.

3249. There were no such Fluctuations either in the Year 1837 or in the Year 1839?

There was not the same Fluctuation in the Bank's Rate of Interest at those Periods.

3250. Did not you say that those Periods of commercial Pressure were more severe than that of the Year 1847.

I conceive that more really solvent Houses were in Difficulty in 1839 than in 1847.

3251. Yet the Rate of Interest did not at that Time vary so much.

In the Year 1839 I think we refused discounting, and we refused to advance upon Exchequer Bills, and, in order to secure the Convertibility of our Notes, were compelled to reduce our Amount of Issues with the Public, exclusive of Bank Post Bills and old Notes, under 14,000,000 *l.*

3252. Do you think that the Amount of Reserve which Bankers and commercial Men feel it prudent and necessary to maintain for the Satisfaction of their Engagements, by keeping out of the active Market of Circulation and of Commerce a certain Amount of Money, has a Tendency to raise the Rate of Interest.

I think if that Amount was put into the Market it would have a Tendency to lower the Rate of Interest and to lower the Value of Money.

3253. If it is forced out of the Market, must it not have a Tendency to raise the Rate of Interest?

If Parties lock up their Money there is less Money in the Market, and the Consequence is that it will rise its value.

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3254. Has it come within your Knowledge that all prudent Houses possessed of Capital in 1847 felt it necessary to strengthen their Reserves?
I believe they did.

3255. And that in no common Degree?
I believe there was a general Panic and Apprehension, and that many of them locked up a very large Amount, and that there was Inconvenience.

3256. Do you conceive that the small Amount of Reserve which was exhibited in the Banking Accounts was the Cause of the increased Reserves which Merchants and Traders and Bankers felt it necessary to keep at that Period?
I think it was.

3257. Do not you consider that that small Amount of Reserve in the Bank was a Consequence originated by the Provisions of the Act of 1844?
Not necessarily; the small Amount of the Banking Reserve originated from not having Money coming in at the Time of Payment of the Dividends.

3258. The Bank had no Money to advance for Dividends in October 1847; there were no Deficiency Bills at that Time?
I think the Question is not affected by Deficiency Bills. We had actually to pay out of our Banking Department the Amount of the Dividends.

3259. Would there not be this Difference, would there not be a considerable Increase in the Securities which you held on the Part of the Public if you had to make an Advance on Deficiency Bills?
We had to pay the Dividends. If we had had the Money in the Till to do that, we might have increased our Securities. If we had not Money in the Till to pay the Dividends when we advanced upon Deficiency Bills, we must have reduced our other Securities. When I say the Amount in the Till, I mean a surplus Amount in the Till.

3260. When in October your Reserve throughout all England did not exceed 1,600,000 *l.*, of which only One Half was in London, was not the Effect of that small Reserve necessarily, as may be inferred from your former Evidence, to augment the Necessity for Reserves on the Part of all other Bankers for their own Protection? Did not it make it absolutely necessary for all prudent Persons to keep as large a Reserve as they could master for the Purpose of meeting their Engagements?
I do not think it did at that Period; because the Governor of the Bank would not have allowed the Reserve to go down to 1,600,000 *l.* if he had not been in confidential Communication with Her Majesty's Government with respect to their Intentions.

3261. But take it the Week before he was in confidential Communication with the Government; is there any Doubt that the small Amount of the Reserve in the Bank of England at that Time rendered it necessary for every Trader in the Country to keep up as large a Reserve as he could to meet his other Engagements?
My Belief is that Parties had kept a very large Amount of Reserve previous to that Period, and that the Influx of precious Metals, which were coming in very rapidly, would soon have counterbalanced the Effect of the very small Amount of the Reserve. The Panic had nearly ceased in London when the Royal Bank of Liverpool failed,

3262. Was not the Effect of the Chancellor of the Exchequer's and Lord John Russell's Letter at once to enable Parties possessing Reserves of their own to make use of those Reserves, by doing away with the Apprehension that they had previously felt arising from the small Amount of the Bank's Reserve?
I have no Doubt that the Publication of Lord John Russell's and the Chancellor of the Exchequer's Letter did release a very large Amount of Notes which were locked up. Our Deposits in the Bank increased immediately.

3263. Therefore are the Committee to conclude that, independently of the mere Amount of Notes which appear upon the Bank Accounts as out of their Possession, much depends upon the Uses to which those Notes are turned, and upon the Efficiency of the Circulation as well as its Amount?
No doubt it very much depends upon the Efficiency of the Circulation; and

if

if Parties lock up Notes it acts very much in the same Way as a contracted Circulation.

3264. Do you think that a System which is fixed solely with reference to the Amount of the Notes, without taking into account the Efficiency of the Circulation, can be scientifically right or practically maintainable?

I think it is scientifically right; and if Parties lock up their Notes, as in the Case of a purely Metallic Circulation they lock up Gold, they must suffer for it, and the Public must also suffer for it.

3265. Is there not this main Distinction between the Two Cases, that with respect to a Note Circulation you have a Right to look above all things to the Convertibility of the Note, and to do nothing that can affect that Convertibility, whereas if it is a purely Metallic Circulation you are at least free from any Apprehension upon that Score?

It is a Distinction in Degree. Practically the lower the Amount of Notes issued upon Securities the nearer it approximates to a Metallic Circulation. By confining the Issue of Bank of England Notes upon Securities to 14,000,000 *l.* a safe Approximation is, I think, made to the Principles of a Metallic Circulation, although to this Amount of 14,000,000 *l.* should be added the Issues of Notes by other Banks allowed by the Act of 1844; and the locking up of those Notes subjects Parties to the same Inconvenience that would have resulted if the Circulation had been purely metallic.

3266. Are the Committee to infer from your former Evidence that you are of opinion that whilst the Letter in October produced no Mischief or Inconvenience, if the Letter had been issued at a Period anterior, say in April, it would in your Judgment have produced Inconvenience?

In my Opinion, in April, when we were not certain as to the Amount of Gold which might be required for the Importation of Corn, if the Letter had been issued, it might have produced a mischievous Effect in reducing the Amount of Bullion and risking the Convertibility of the Note.

3267. In the Month of April the Exchanges were adverse, in the Month of October the Exchanges were favourable?

In the Month of April the Exchanges were adverse as far as America was concerned. They were favourable with reference to the Continent.

3268. But the great Demand upon England for Bullion was from America?

It was.

3269. And the Imports of Bullion from the Continent did not in any Degree balance the Exports of Bullion to America?

They did not. On the Aggregate the Exchanges were against us.

3270. The Exchanges were adverse in April, and they were favourable in October. The Letter of the Government was useful in October, and you think would have been mischievous in April. Now do you think that the Circumstance of the favourable Exchange at the one Period and the unfavourable Exchange at the other lies at the foundation of the Principle which, in your Judgment, makes the Letter a wise one at the one Period and an unwise one at the other?

I do not think I have said that it was a wise one at either Period. I should say it was a safe one at the one Period, and it might have been a wise one for what I know.

3271. Do you consider that the State of the Foreign Exchanges and the Circumstance of the Efflux of Gold from this Country or the Influx of Gold into this Country forms an important Consideration with respect to the Management of the Affairs of the Bank of England?

I do.

3272. Do you think that any great Bank could be carried on, above all a great central and regulating Bank, unless the State of the Foreign Exchanges and the possible Demand for or Supply of Bullion were constantly taken into account?

I do not think it could. I think that the Bank under the Limitations of the Act of 1844 should always look to the State of the Foreign Exchanges as an Indication of the probable Demand upon them as Bankers.

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3273. Will you have the goodness to say how far any Reference whatever is made, by the Provisions of the Act of 1844, to the Distinction between a home Demand upon the Bank, with a favourable Exchange, and a Foreign Demand for Bullion when the Exchanges are unfavourable?

The Act does not at all regulate our Banking Operations. It only regulates the Amount of Issues, leaving our Banking Operations as free as the Banking Operations of any other Bank.

3274. Supposing a Demand were made upon the Bank for Two Millions of Bullion for Foreign Export, and that a Demand were made for Two Millions of Bullion for domestic Purposes, do you think there would be any Distinction between the Two Cases with respect to the Principles upon which the Bank ought to conduct its own operations?

I think so. I should be more willing to act freely with respect to my Banking Reserve when the Bullion was merely to go into the Country than when it was to go abroad, inasmuch as I could place greater Dependence upon its returning.

3275. Should you not feel at liberty to give a larger Amount of Accommodation if the Demand was for home Purposes than if it was for Foreign Export?

My Liberty to give Accommodation would depend upon the Means at my Disposal. I should look at the other Considerations merely with reference to the probable Effect that would be produced upon the whole Circulation of the Country, not with regard to my Power as a Banker.

3276. Assuming the First Duty of the Bank to be the Preservation of the Convertibility of its Paper, and the securing an equal Value between Gold and Paper under all Circumstances, if there was an adverse Exchange, and a great Demand for Foreign Export, what would be the Course that you would feel it expedient to take in your Banking Operations?

If there was a probable Demand for Gold for Exportation I should, as a Banker, feel anxious to hold a larger Amount in convertible Securities, or a larger Reserve, than I should do if there was no such probable Demand upon me.

3277. Would you feel it your Duty, as far as you could, to limit the Amount of your Circulation to meet that Drain?

No; the Amount of the Circulation I have nothing to do with.

3278. You would rely solely upon the Provisions of the Act of 1844 for the Regulation of the Issue Department as ensuring under all Circumstances Convertibility.

If under any Circumstances we thought 14,000,000 *l.* too much, I consider it an important Part of the Act that the Bank has the Power to reduce it, though it has not the Power to increase it. It might have been our Duty to reduce the Issue on 14,000,000 *l.* of Securities to 12,000,000 *l.*, which, I believe, was mentioned by the present Chancellor of the Exchequer, or to any other Amount that we considered desirable. We have the Right of Reduction; we have not the Right of Extension.

3279. Now take the opposite Course of Things; supposing that the Demand was a Demand not arising from any State of the Foreign Exchanges, or from a Demand for Export, but arising solely from domestic Pressure and Panic, would you feel the same Necessity of limiting the Proceedings in your Banking Department?

In that Case I should not think it necessary to be so stringent with reference to my Banking Department, because I should not look forward to so certain a Contraction of the whole Circulation of the Country.

3280. Why cannot you increase your Issues in the Banking Department?

Because we have no Power of increasing our Issues. We may think it prudent to hold in one Set of Circumstances a larger Amount of unemployed Deposits than we do in another, but we have no Power of increasing our Issues.

3281. You have the Power of increasing to the Extent of the Notes left at your Disposal for the Banking Department?

We may in one Case think it prudent to hold a larger Amount of Reserve in our

our Banking Department than we do in another. I might be disposed to hold a larger Amount of Reserve in the Banking Department if I saw a Probability of a great Decrease in the whole Circulation of the Country than I should feel it necessary to do if I saw a Probability of an Increase; and therefore I stated that although our Reserve on the Saturday before the Government Letter was issued was small, the large Influx of the precious Metals and the State of our Liabilities prevented my feeling alarmed with regard to the Banking Department.

3282. You have stated that you think that the Bank are right in distinguishing between a Demand for Gold for foreign Purposes, and a Demand for Gold for domestic Purposes; do not you also consider that the Bank should distinguish between a Demand for Gold for domestic Purposes and a mere Demand for its Paper for domestic Purposes?

I believed I qualified my Answer, that I should have regard to an internal Demand and an external Demand only with reference to the prospective total Circulation of the Country. With regard to the other Point, there might be a Difference according to whether Notes were wanted or whether we had a Run for Gold. If there was a Demand for Gold I should consider under what Circumstances it occurred; but it would only be an Indication of the Motive for the Demand.

3283. If there was a Demand for your Paper merely from the Fact of a Discredit of Country Banks, such as took place in the Year 1825, and a Circulation of Notes of the Bank of England was wanted for the Purpose of restoring Confidence in the Country, would not that justify the Bank of England in having a considerably larger Circulation of its Notes out than under ordinary Circumstances?

I think if we had an abundant Reserve in the Banking Department we should with more Confidence part with it for such an Object than for a regular Demand. We should consider it more as a temporary Advance than as a permanent one.

3284. Might there be Circumstances, such as existed in the Year 1825, in which an Enlargement of the Amount of Bank of England Paper might take place greatly for the Benefit of the Country without any Danger to the Convertibility of its Note?

That Subject was fully considered at the Time the Act of 1844 was framed. I have referred to a confidential Communication which I had from Sir Robert Peel upon the Subject, and I find among his Letters a Passage which I think completely answers that Question. I requested his Permission to state it, which he allowed me to do, and with the Permission of the Committee I will read it. It expresses the Result of a very long Deliberation. It was in a Letter from Sir Robert Peel, written from Windsor Castle on the 4th of June 1844. He says, "My Confidence is unshaken, that we are taking all the Precautions which "Legislation can prudently take against the Recurrence of a pecuniary Crisis. It "may occur in spite of our Precautions; and if it does, and if it be necessary "to assume a grave Responsibility for the Purpose of meeting it, I dare say Men "will be found willing to assume such a Responsibility." I believe that answers the Question whether it may be safely done.

3285. It is not intended to question the Expediency of the Relaxation, but to draw your Attention to the Question, whether, the Act of 1844 being founded, under all Circumstances, and without any discretionary Power anywhere, upon a certain Amount of Paper out, there may not be Circumstances in which a much larger Amount of Bank of England Notes may be necessary for the Country at a particular Time and may be kept out without any Danger; and in illustration of the Question, you are requested to notice the Fact, that in the Year 1825 between Twenty-five and Twenty-six Millions were at one Time issued, the Issue of which produced immediate Relief from the Difficulties then existing; and that you have now, according to the last Accounts, not more than 17,400,000*l.* of Bank Notes out; so that different Periods, according to their different Circumstances and the State of Things at the Time, require very different Amounts of Bank Paper out?

Such Circumstances as those of the Year 1825 require and might justify a much

much larger Issue of Paper; but if any legislative Provision had been made for such an Expansion, the Danger is that it would have been employed under such Circumstances as to lead to the Displacement of Gold; and it was considered better not to make any legislative Enactment for the Purpose of authorizing that Expansion alluded to in the Question, though under particular Circumstances it might be safely and judiciously made, but to leave it to the Responsibility of the Advisers of the Crown to authorize the Relaxation when the Case of extreme Necessity arose.

3286. Then you admit that the Principle of the Act of 1844 could not safely be suffered to exist without a Power of Relaxation, and that Periods in our monetary History exhibit Cases in which that Relaxation may be required?

I think that monetary Crises have occurred and may occur again in which the Relaxation referred to might be required; but I think that a Power of Relaxation if authorized by Law would be mischievous, inasmuch as it would encourage Parties to depend upon it rather than upon the fair and proper working of a Metallic Currency, or what is similar to a Metallic Currency; and that if any such Circumstance should occur it would be better to take some very strong Measure than to give a legislative Power either to the Bank or to the Government to extend the Amount of the Circulation. In all these Regulations we must look at the Balance of Advantages. It is impossible for any legislative Enactment to provide for all Circumstances; if you attempt it, the Power given will, under some Circumstances, produce Mischief.

3287. Do not you consider it a false Principle of Legislation toestablish a System by Law, which you admit will occasionally require Violation, and not to give any Power by the Law to any Body of Persons to act upon those Occasions?

I think it is better that no Power should be given, for if that Power was given I think it would be exercised when it would be detrimental.

3288. You have stated that in the Management of your Reserve you would think it right to retain a higher Amount of Reserve, if there was a Prospect of the Circulation of the Country being reduced?

A higher Reserve in proportion to the Amount of my Deposits, because I should expect my Deposits to be withdrawn more rapidly.

3289. That, you would say, was the Course which any Bank ought to adopt?

I think so.

3290. Then do not you think that any Measure which, without sufficient Cause, would lead a Banker to expect a diminished Circulation, and thereby to diminish the Accommodation which it would be able to give to his Customers, objectionable?

No; I do not think it objectionable, because I think it is the sound Principle that every Banker ought to act upon, and that it only compels the Banker to act upon sound Principles.

3291. You have stated that you prefer a relaxing Power being left to the Exercise of the Prerogative of the Crown upon a fitting Occasion to its being made a Matter of legislative Regulation. Do you think that there will be the same Confidence felt in future in adherence to the Rule after the Departure from it which occurred in October, and after the beneficial Consequences which in the Judgment of many have resulted from that Departure?

The Objection which I had to the Letter was not that I feared that it would endanger the Bank or endanger the Circulation of the Country, but that it would be an unfortunate Precedent to be acted upon in future.

3292. Have you any Doubt whatever that the Principle of Relaxation is considered to be established now, and that Bankers and all the commercial World do not consider the Rule of the Act of 1844 as being an undeviating Rule to be inflexibly adhered to?

I think it is considered as an undeviating Rule to be inflexibly adhered to, except under very extraordinary Circumstances. I think that no Minister of the Crown will relax the Rule, or the Public expect it to be relaxed, except under very extraordinary Circumstances.

3293. Under those extraordinary Circumstances, if they do arise, do not you think there will be Confidence felt on the Part of the Public that the Act will be departed from?

Under those very extraordinary Circumstances I do not think there is any Harm in the Relaxation; but the Difficulty is in defining by Act of Parliament what those extraordinary Circumstances shall be.

3294. You think that on the present Occasion the Letter came too soon?

I do; but the Government had better Information than I had upon the Subject, and they had a deeper Responsibility upon them. With the Knowledge I possessed that the commercial Bills were regularly paid and that very large Amounts of Bullion were coming in, and that there was a Prospect of a much larger Influx of Bullion, I think I should have had Courage to have withheld the Letter.

3295. Do you think that the extraordinary Circumstances referred to in a former Question would warrant a Deviation from the Act in case there was a Foreign Exchange against this Country and a considerable Drain of Bullion for the Purposes of Export?

I do not think that they would warrant a Deviation. It is the Apprehension that if there was any legislative Power either the Bank or the Government might be induced to relax, on the Supposition that the Drain was temporary, which makes me so decidedly against any legislative Power of Relaxation.

3296. Do you think that any evil Consequence whatever has ensued from the issuing of the Letter in October?

I do not think that any evil Consequence has ensued from the issuing of the Letter, except the Fear that it may be brought into a Precedent, and not acted upon with so much Judgment and Discretion.

3297. But if the Foreign Exchanges had been against the Country at the Time of the Issue of the Letter, have you any Doubt that evil Consequences would have flowed from it?

If the Foreign Exchanges had been against the Country I think the issue of the Letter would have been very detrimental; but I am quite confident that the Minister of the Crown in such a Case would have not recommended it.

3298. In April 1844 you were Governor of the Bank?

I was.

3299. In the Negotiations which then took place between the Bank and the Government was the Question brought under Discussion of any Alteration in the Constitution of the Bank of England itself?

I think not. I do not remember any Discussion with reference to an Alteration in the Constitution.

3300. Was there at any other Time any Discussion upon that Question between the Government and the Bank to your Knowledge?

In the Year 1833 there was a Proposition not to require that so many Directors should go out at the End of the Year.

3301. But nothing more than that?

I do not think there was any thing more.

3302. Do you think that any Advantage might be gained by any Alteration in the Constitution of the Bank as it now stands with reference to giving greater Stability to its System of Management?

The only legislative Alteration which I should like would be not to require so many Directors to go out by Rotation, making more than Sixteen eligible for Re-election. With reference to the Bank Direction I think that the Arrangements we have made among ourselves for the Selection of the Governor and for the Selection of the Directors to be recommended to the Proprietors will very materially improve the Constitution of the Bank Direction.

3303. Has there been an Alteration made by the Bank in those respects?

The Court of Directors have made this Alteration, that it will no longer consider that Gentlemen in rotation must take the Chair, but that the Court will

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will recommend to the Proprietors for Election as Governor and Deputy Governor the Directors they consider best qualified for the Situation.

3304. That being the Case are you prepared to state any Term of Years during which it would be convenient to continue the Responsibility of the Governorship and the Deputy Governorship of the Bank in the same Hands?

It should be entirely optional with the Court. The Difficulty we shall have will be to induce Gentlemen to hold the Situation for any Length of Time.

3305. Supposing Gentlemen were to be found who would be willing for the public Service to continue to discharge the Duty, will you state about what Length of Time you would prescribe for their Continuance in those Situations?

I would not prescribe any Time. I would have the Governor elected every Year; but I would leave it discretionary to the Court to recommend the Continuance of the Governor for as long or as short a Time as it pleased.

3306. It now and then happens that those who elect make a Mistake in the Person elected, and find that they have got a Man who cannot do their Business as well as they had expected?

I should, therefore, be very sorry indeed to elect the Governor for Life, or for a longer Period than One Year's Continuance, and his Re-election should depend upon Circumstances.

3307. You would rather leave the Election without any Limitation?

I would have no Limit whatever.

3308. Is it not the Case that they are not re-eligible now unless they are long enough in the Direction for their Turn to come round again?

No; there is no such Rule. It is quite a Misapprehension. As there is neither Emolument nor Patronage attaching to the Governorship of the Bank it had been supposed that every Gentleman in the Direction ought to take the Chair in rotation or go out of the Direction.

3309. You have been asked several Questions as to the Distinction drawn between a Drain of Bullion for Foreign Countries and a domestic Drain of Bullion. What Means has the Bank of distinguishing between those Two?

We generally can know whether the Bullion is for an external Drain in consequence of the State of the Exchanges. We are quite sure that no Money will be sent abroad if the Exchanges are in favour of this Country.

3310. If it appears that between the 26th of June 1847 and the 23d of October there was a very considerable Drain, amounting to about 1,600,000 *l.*, the Committee may conclude from that, that that was in your Judgment an internal Drain, not a foreign Drain, the Exchanges being at that Time in our Favour?

I believe it was an internal Drain, Parties in the Country supplying themselves with an increased Reserve of Bullion.

3311. Might not the State of the Exchanges be such as to render it extremely difficult to ascertain the real Fact, from the Exchanges of one Country being favourable and of another being adverse?

I think not. In addition to the Test of the State of the Exchanges, we should have other Means of ascertaining whether it was shipped for America or for the Continent of Europe.

3312. Would not the Circumstance of whether what you parted with was in Ingots or in British Coin be an Indication whether it went abroad or whether it was for an internal Demand?

Not entirely so; in America they desire to have our Sovereigns rather than Bullion or Foreign Coin.

3313. But, generally speaking, as regards Europe, would it not be an Indication?

Generally speaking as regards Europe they prefer either Bullion or Foreign Gold Coin.

3314. Do you consider that there is any public Advantage connected with the Restrictions imposed upon the Bank by the Act of 1844 in relation to the Amount of Silver which it holds?

I do not think there is any public Advantage in that Restriction.

3315. You

3315. You think it might be left perfectly free to the Bank to determine the Description of Bullion which it should hold?
I think it might.

3316. In particular States of the Foreign Exchanges is not the Possession of a considerable Amount of Silver Bullion a Matter of very great Convenience to the Bank?
When Silver was at such a Price that it could be purchased so as to be secure of importing Gold to a Profit it was preferred.

3317. You think that in that respect it would be wiser and more prudent if the Bank were left unfettered with respect to its Purchases of Silver?
I think the Bank might be left unfettered. I would state that if the Drain last Year had been for any Place but America the Silver would have gone first, and we could not have had a surplus Quantity.

3318. Upon the Subject of the Purchase by the Bank of Railway Debentures it appears that those Securities were first bought in the Year 1842, and that nearly One Half of the whole that have been bought were bought before the Month of August 1844, so that at all events the Act of 1844 was not the primary Inducement to the Bank to deal in that Species of Security?
Not at all. It has rather been an Inducement to us not to increase the Amount. I was the Governor of the Bank in 1842, when the first Railway Debentures were purchased, and I considered them a very good Security.

3319. As a Security equally convertible and equally available with other Securities?
Yes. Railway Debentures of the First Class I consider as very convertible Securities.

3320. Would they have been convertible in the Month of October 1847?
Yes, I believe they would at a Price; some Sacrifice must have been made. But if they had been offered, North-western Railway Debentures, for example, to pay Eight per Cent. for Money during the short Period they had to run they could have been sold.

3321. Supposing you had put 2,000,000 *l.* of Three per Cent. Consols into the Market at that Time, could you have sold them without a very considerable Sacrifice?
I think we could. I think that at a Reduction of a few Pounds per Cent. we could have realized them, and that Consols are therefore amongst the best Securities that a Bank can hold.

3322. Do you approve of the Publication of the Bank Accounts as it at present stands?
I had some Doubt about the Publication of the weekly Banking Account. But, on consideration, my Impression is, that the weekly Publication of the State of our Banking Account is rather desirable than otherwise, and the Publication having been commenced I should be very sorry to see it withdrawn.

The Witness is directed to withdraw.

Ordered, That this Committee be adjourned to Monday the 10th of April, Half-past Two o'Clock.

Die Veneris, 14° *Aprilis* 1848.

The Evidence of Lord Ashburton, a Member of the Committee, taken this Day, is placed in the Appendix, in consequence of his Lordship not having been worn when examined. (*Vide* Appendix A.)

Die Lunæ, 22° Maii 1848.

The LORD PRESIDENT in the Chair.

Mr. PRIMROSE WILLIAM KENNEDY is called in, and examined as follows:

3350. You have been for some Years Manager of the Western Bank of Scotland?
I was Manager of the Ayrshire Banking Company until that Establishment merged in the Western Bank, and since then I have been Manager of the Western Bank in Ayr.

3351. Do you consider that the Acts of 1844 and 1845 have operated beneficially or otherwise on the Scotch Banking System, or on the Commerce of Scotland generally?
I think that the Acts of 1844 and 1845 have operated in such a Way as to aggravate to a great Extent the commercial Difficulties which we must otherwise have encountered.

3352. In what Manner has the Act of 1844 affected Scotland generally?
The Act of 1844 has operated so as in Periods of Pressure to increase our Difficulty in realizing the Securities in which Provincial Bankers hold their Reserves, such as short-dated Bills and Exchequer Bills, or Stock of any Kind. From the Restrictions imposed on the Bank of England, which deprive it of the unfettered Use of all the Bullion in its Possession it previously held, there has been greater Difficulty experienced in realizing those Securities than would have been the Case had that Act not existed.

3353. Scotland must generally participate in the Distress or in the Prosperity that is felt in England?
Unquestionably. The whole Commerce of Scotland is so intimately bound up with that of England, that whatever materially injures, affects, or disturbs the Commerce of England itself must have a prejudicial Effect upon that of Scotland.

3354. In your Experience in Banking Concerns have you ever known a Period of such commercial Distress as the latter Part of 1847?
Not in my Experience.

3355. To what Circumstances do you attribute that Distress principally?
Principally to the Failure in the Harvest, the large Railway Expenditure, and the undue Extension of Credit which broke up in the End of 1847.

3356. You stated that you considered that that Distress was aggravated by the Act of 1844. You mean by the restrictive Conditions of that Act?
By the restrictive Conditions of the Act.

3357. You are of opinion therefore that if that Act is maintained, some Power of Relaxation should be given?
Certainly. Although I do not see any Course that can be taken, except either leaving it to the Discretion of the Bank, or retaining the Restriction.

3358. You are not favourable to the Act of 1844?
No, I am not.

3359. If it be maintained, you think that some Power of Relaxation should be given, subject to the Discretion of the Bank?
I think so.

Mr. P. W. Kennedy.

22d May 1848.

3360. Will you be kind enough to explain to the Committee the System which prevails of Exchanges between Banks in Scotland?

It is similar to the settling at the Clearing House in London. Every Bank in Scotland has either its Head Office in Edinburgh or has an Agent in Edinburgh; and each Bank in the Country Districts, once or twice a Week, exchanges its Notes with the others, and draws upon Edinburgh for the Balance, or receives the Balance. Those Balances again are sent to the Agents in Edinburgh, where they form Part of the Exchange, and the Balance is ultimately drawn for upon London, which is tantamount to a Payment in Gold.

3361. Therefore, by that System of Exchanges, it is impossible that any over Issue of Notes can exist beyond Two or Three Days at the utmost?

I do not think it affects the general Question of Excess of a Paper Currency, but it restrains the Currency of each individual Bank within a proper Proportion to the Business that it holds, and the Stringency of those Exchanges operates very materially in giving universal Currency to the Notes of Scotland. A note of a Scotch Bank issued in one Part of Scotland passes over the whole of Scotland, as Gold or Bank of England Notes do over the whole of England.

3362. In almost every Town, and in almost every District, is there not a Branch of some of the leading Joint Stock Banks?

Certainly; either of the leading Joint Stock Banks or of the large chartered Banks. In every Town there is some one or other.

3363. There are Eighteen Banks in Scotland, Five chartered (there being some Difference in the System of Charter) and Thirteen unchartered?

There are.

3364. There are no private Banks in Scotland?

There are no private Banks now in Scotland. They have been all gradually absorbed as the Joint Stock Principle was extended in Scotland.

3365. Will you state up to what Time the private Banks lasted?

I think the last of them was in existence in the Beginning of 1844, and then they disappeared altogether.

3366. The Wealth of those Eighteen Banks, which now constitute all the Banks of Scotland, is enormous?

It is very great.

3367. At a very rough Calculation what would you consider the Wealth of the Proprietors of the Bank of which you are the Manager to be?

The Western Bank, I should certainly say, was moderately estimated as offering a Responsibility to the Public of at least 10,000,000 *l.* Sterling.

3368. What is the Amount of its Issues?

Its Issues vary from 350,000 *l.* to 450,000 *l.*

3369. The Responsibility is unlimited, as is the Case with all the unchartered Banks?

With all the Banks except the Three oldest chartered Banks.

3370. In what Manner has the Act of 1845 affected Scotland?

The Effect of it upon the Scotch Banks has been simply to compel them to retain (as we see by the Returns that were obtained for Parliament) from Eight to Nine hundred thousand Pounds of Gold lying in their Coffers beyond what they held previously to the Act of 1845.

3371. You are speaking of the whole of the Scotch Banks, chartered and not chartered?

Yes.

3372. What Amount of Gold was held previously to the passing of the Act of 1845?

It varied from a little above 300,000 *l.* to about 450,000 *l.* or 460,000 *l.*

3373. Then it now amounts to 1,300,000 *l.*?

It varies. At the present Moment it is about 1,100,000 *l.*, but it has been above that Amount. In November 1846 it was 1,284,000 *l.*; in February 1847 it was 1,280,000 *l.*; and in November 1847 it was 1,100,000 *l.*

3374. How

3374. How do you ascertain that?
There were Returns obtained from all the Banks of the Amount of Specie which they held in the Months of February and November since 1842.

3375. Was there any thing that you can call a Circulation of Gold in Scotland previously to the passing of the Act of 1845?
None whatever.

3376. Has there been any additional Circulation of Gold since?
None whatever; the People dislike Gold.

3377. Do you see any good Reason for that extra Quantity of Gold being held?
I can attach no Importance to its being held.

3378. What do you understand the Objects of the Act of 1845, as regarded the Circulation, to have been?
The Object of the Act, I think, was, in the first place, to restrain the Issues of the Scotch Banks within narrower Limits than they were when under a State of Freedom, and also to relieve the Bank of England from the Pressure that it was supposed the Scotch Banks threw upon it for Gold, at a Period of adverse Exchanges.

3379. Has the Act had that Effect?
It certainly has not had the Effect of relieving the Bank of England from a Demand for Gold of the same Nature as that which before arose from Scotland previously to the Act; that is to say, for Gold to make foreign Payments; because the Amount of Gold has been pretty nearly stationary in the Coffers of the Banks of Scotland.

3380. That is to say, after the passing of the Act of 1845 the Banks of Scotland generally applied to the Bank of England for the Money which was requisite to enable them so conduct the circulation upon the new Principle?
Quite so.

3381. Then the Amount of Gold which they have got has varied but little since the Act?
To a very trifling Extent.

3382. Then the same Pressure of Demand for Gold upon the Bank of England by the Banks of Scotland which occurred previously to the passing of the Act of 1845 occurs in precisely the same Manner still?
It does.

3383. That Demand is for the Purpose of the Foreign Exchanges, which are all conducted in London?
They are adjusted in London. London is the great Centre where all those Operations are ultimately effected.

3384. Therefore the Act of 1845 has had no effect whatever in relieving the Bank of England from the Demand upon it for Gold by the Banks of Scotland?
Certainly not.

3385. While at the same time there is locked up in the Coffers of the Banks in Scotland the Amount of Gold which you have mentioned, averaging from Eight to Nine hundred thousand Pounds, which otherwise would have been equally applicable to Scotch purposes if deposited in the Bank of England?
Quite so; that has been the Effect.

3386. That is an Amount which is taken from the Capital of Scotland, and locked up uselessly in the Cellars of the Banks?
It is. There is another effect that was anticipated from the Act of 1845, which was that it would restrain within narrower Limits the Issues of the Scotch Banks. Now, on looking back to the Periods of Difficulty, when the Fluctuations of the Currency were supposed to have had a prejudicial Effect upon the Commerce of the Country,—taking the Periods from 1834 to 1836, 1838, 1839, and 1840, which were Periods of Commercial Difficulty, and contrasting the Fluctuations in our Currency when it was unrestrained with those that have taken place since the Act of 1845 came into operation,—I see that between 1834 and 1836 the whole Increase in the Currency of Scotland amounted to 87,000 *l.*

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3387. Between the highest and the lowest?
Yes; taking the Months of January and February of each Year. I have taken those Two Months because the new Act came into operation in January and February 1846.

3388. Why do you take those Two Years, 1834 and 1836?
It was when there was a great deal of Speculation. There was a great deal of commercial Difficulty in those Periods, and the Circulation was supposed at that time to have been in excess, and to have aggravated these Difficulties.

3389. But there was no particular Pressure in 1834 and 1836, was there?
In 1836 and 1837 there was a great Speculation connected with American Transactions. Then from 1838 to 1840 there was Pressure also; the whole Extent of Increase in the Currency at that Period was 215,000 *l.*; and the Contraction in 1840, which was a Year of great Difficulty, was 168,000 *l.* Then between 1846 and 1847 the Circulation increased from the 1st of January 1846 to the 1st of January 1847 from 3,300,000 *l.* to 3,700,000 *l.*, making a Difference of 400,000 *l.*, and in February from 3,000,000 *l.* to 3,500,000 *l.*, making the Difference of Half a Million, whilst the Currency in 1848 fell from 3,700,000 *l.* to 3,300,000 *l.* From February 1847 to February 1848 it fell from 3,500,000 *l.* to 3,032,000 *l.* So that the Expansions and Contractions of the Currency when it was perfectly free were within a smaller Range than they have been since it has been restricted.

3390. What was the aggregate Amount of Bank Notes allowed the Scotch Banks previously to the passing of the Act?
It was 3,082,000 *l.*

3391. That was when they were under no restraint by Act of Parliament?
Yes.

3392. Since the passing of the Act the Circulation has been almost always in Excess?
It has, except in two Instances.

3393. That is to say, there are monthly Returns published, and, with the single Exception of about Three Returns, the Circulation since the passing of that Act has been in excess?
It has been always in excess.

3394. By "Excess" do you mean excess beyond the Amount allowed to the Banks by the Act, and therefore Notes issued upon Bullion?
I do.

3395. In short, beyond the Limit fixed by the Act of Parliament?
Yes.

3396. The Average of the Circulation is not calculated upon the whole Year, but you cannot over issue in any One Month?
We cannot over issue in any One Month.

3397. That is to say, the Average of the Year is carried to the Month?
Yes.

3398. Is there not a great Expansion of the Circulation at Two Periods of the Year?
In the Country Districts of Scotland there is an Expansion.

3399. Do not the Fluctuations at those Two Periods of the Year range from Thirty to Fifty per Cent. all over Scotland?
Yes. In the Commercial Districts there is a smaller Range of Fluctuation.

3400. But still considerable?
Yes.

3401. Do you consider that the converting the annual Averages into monthly Averages is a great Hardship?
Of course it compels us either to maintain at all Times a sufficient Amount of Gold to cover the extreme Expansion, or to bring down for a Month a sufficient Amount of Gold to protect ourselves. We have generally kept pretty nearly

nearly as much as will protect us during the whole Year, instead of bringing down a large Amount at those Periods, and sending it back again to London.

3402. Consequently you practically for the greater Part of the Year hold in your Coffers a much larger Amount of Gold than you are absolutely required to hold, in preference to having to supply yourselves with that Amount of Gold for a very limited Period during which your Circulation expands?
We do.

3403. You consider, therefore, that the Amount of Circulation given to the Banks of Scotland is insufficient?
It is insufficient for the Wants of the Country whilst the Country is in an ordinary State of Prosperity.

3404. Every Note issued upon Gold is a Loss to you?
It is unquestionably a Loss; we lose all the Stamps and the Expense of making the Notes.

3405. Then you would restrict your Circulation if you possibly could?
If it were in our Power to restrain our Circulation within what we are allowed by Law it would be advantageous to us to do so, but we find that is unattainable. We are obliged to supply the Country with the Amount of Currency which the internal Transactions require.

3406. Is the Limitation of the Circulation more felt in purely Agricultural Districts than it is in Commercial Towns?
It is. The Transactions of the Country Districts are scattered over a wider Field, and the Notes remain out longer. The whole Transactions are carried on much more slowly, so that whenever an Expansion of Transactions occurs in Country Districts more Notes are required to perform them, whilst in Commercial Districts other Forms of Credit are employed to a great Extent, especially in effecting large Transactions, without requiring Notes all.

3407. Supposing that by the Act of 1845, instead of your Circulation being restricted not to the Average, it had been put at the Maximum of the Issues during the previous Year,—that is to say, sufficient to cover the ordinary Issues at those Seasons of the Year when the Circulation is largest,—should you then have complained of the Operation of the Act?
So far as the Act of 1845 affected Scotland we should not then have been obliged to maintain the Amount of Gold that we have found it necessary to do.

3408. That would have been to the Extent of about Five or Six hundred thousand Pounds?
It would have been to the full Extent of 900,000 *l.*

3409. When you speak of your not being allowed to issue more, is that a strictly correct Expression?
I mean unless against Gold.

3410. The Result is, that you may issue whatever Amount is required for your Transactions, but it is required that you should have Gold in order to answer the Demand arising from that Issue?
Yes.

3411. What is the Nature of the Loss which you sustain by the Issue of Notes backed by Gold?
We are obliged to pay for Stamps upon those Notes.

3412. You issue Notes, and retain the Gold?
Yes.

3413. Would there be any Loss in the Issue of the Gold itself?
None whatever; but the People will not like Gold. The Habits of the Country are against it.

3414. You were understood to state that there has been no material Pressure upon the Bank of England from the Banks of Scotland, which it was required to obviate by the Act of 1845?
What I intended to say was, that there was no Diminution of the Pressure upon the Bank of England by the Scotch Banks being compelled to hold Gold.

 3415. Supposing

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3415. Supposing that at a Time when there was a Demand for Gold upon the Bank of England for the Purpose of Foreign Export there arose also a Demand for Specie from Scotland, would not that cause an additional Pressure upon the Bank of England if the Banks of Scotland did not hold in their Possession a sufficient Amount of Specie to answer it?

Either for internal or for external Purposes we get our Gold from the Bank of England; but the Amount of Gold held by the Banks in Scotland does not enable them to meet the Foreign Operations at all. That would be the Effect certainly of any internal Drain, so far as it operated upon the Circulation. But whether the Demand be for internal or for external Purposes, supposing the Paper Currency of Scotland were totally annihilated, we should go always to the Bank of England for whatever Gold we might require.

3416. For what you required for local Purposes in Scotland?

Unquestionably.

3417. Then why do not you make use of the Gold that you have in your Possession?

Because we cannot reduce the Circulation. We can only make use of Gold in Scotland when the Paper is reduced.

3418. Could you not under those Circumstances reduce your Paper, and by that Means draw upon your own Specie?

We have no Power over the Extent of the internal Circulation. I presume the Question is put to me with the Idea that the Demand upon us for Gold would arise from Panic,—from internal Alarm. I do not know what other Source except Panic would induce any Demand upon us in Scotland. During the whole Period of the Scotch Banks we have never had an internal Run for Gold except upon the Occasion of the Failure of the Renfrewshire and the Leith Bank.

3419. You would not assert that when there has been great commercial Pressure in England there has not been at those Times very considerable additional Pressure upon the Banks in Scotland?

Certainly not for Gold for internal Purposes; it was for external Purposes. Our Demands for Gold have been to as large an Extent as they used to be from the Bank of England to meet Foreign Payments, and at the same Time we retain in our Coffers a much larger Amount of Gold than previously.

3420. Was there not in 1825 a great Run upon the Banks in Scotland?

Not for Gold.

3421. For Bank of England Notes?

For neither Bank of England Notes nor for Gold. There was a Demand for Capital for Payments in London, but there was no Panic, and no Run upon the Scotch Banks at that Time.

3422. In point of fact were not the Notes brought in in great Quantities, and Payment requred of them at that Time?

The Notes diminished after the Speculation in 1825 had ceased; after those Operations became narrowed the Notes were returned, but not to be exchanged for Gold.

3423. But for Payment?

Yes; in one Shape or another.

3424. Can you undertake to say that at Periods of great commercial Distrust in England on previous Occasions there has been no Apprehension in Scotland which has induced the Bankers in Scotland to obtain Specie from England?

Such is my Opinion.

3425. Are you aware that Evidence to the contrary Effect has been given before Parliament?

I am not aware that there was ever any very large Sum of Gold brought down to Scotland. There certainly was no Demand for Gold.

3426. Have you ever read the Evidence given before the Committee in the Year 1832 upon the Charter of the Bank of England?

I have.

3427. Do you recollect it being stated then by one of the Directors of the Bank of England that there was considerable Pressure from Scotland at a Period when the Bank was extremely embarrassed?

It certainly was not in the District to which I belonged; there was no Demand for Gold in that Part of the Country.

3428. In 1832 were there a considerable Number of private Banks still in operation?

There were; but the Drain in 1832 arose, not from commercial Difficulties but from the Dread of Revolution.

3429. Did not that Evidence refer to the Years 1825 and 1826?

I think Mr. Palmer's Evidence referred to the Drain of 1832.

3430. Allowing such to have been the Case, whatever may have been the Reason for that Occurrence, do you think that that would be less likely to happen since the passing of the Act of 1845 than before?

Certainly not.

3431. You do not mean to say that if any such occurrence should arise in Scotland as a State of Alarm, and a Disposition on the Part of the Public to demand the Payment of Notes in Specie, there would not be a Necessity for obtaining Specie?

Unquestionably there would be a necessity for obtaining Specie.

3432. Has not a System of Banking Issues, such as that which prevails in Scotland, a Tendency in some Degree to invite such Apprehensions at particular Periods?

That is inherent in all Banking Systems.

3433. If it is necessary to provide against a Risk of that Kind in any Banking System, does not it appear to you fair that that Banking System itself should bear the Charge of the Precautions that are necessary?

The only Principle upon which Banking proceeds must be from the Experience of the Past; and we have found that up to 1844 there was no Necessity for holding more Specie than what has been shown by these Returns. Now, I do not see why we should be obliged to act in a Way that has been found by Experience not to be necessary.

3434. But assuming that, according to Experience, it does appear that the Banking System of Scotland has sufficient Strength within itself to withstand such Dangers, but that it does it by a Reliance to a certain Extent upon the Resources of other Parties, do not you think that it might be fair to require that the Banking System of Scotland should provide its Resources within itself, and not continue to lean upon the Resources of others?

It still relies in the same Manner as before upon the Gold that must be held in London, because we do not rely upon the Gold that we hold in our own Possession, but we rely upon our Reserves, which, like those of all other Provincial Banks, consist of Government Securities and Bills of one Kind and another, which we realize in Periods of Difficulty.

3435. Supposing that in a Period like that of 1826, when there was great Distrust of the Paper Issues in England, the Alarm were to communicate itself to Scotland, would it not, under the former System, have been deemed requisite by the Scotch Banks to obtain from some Quarter an additional Reserve in Specie?

Had an Alarm arisen of course it would.

3436. Are you prepared to say that at no Period, under the former System, has any such Alarm or Apprehension prevailed in Scotland?

I am not aware of any Alarm or Apprehension having prevailed in Scotland, previously to that Period, requiring a large Supply of Gold for internal Purposes in Scotland.

3437. Would you undertake to say that the Banking System in Scotland is so absolutely secure against all Doubts at all Times that, whatever Pressure might occur in this Country, there could be no Apprehension as to the Security of the Scotch Issues?

I can only refer to what has occurred in Scotland during the last Hundred Years.

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3438. Before the Operation of this Act of 1845, although you had not the same Amount of Gold in your Possession, you had Credits with the Bank of England?

We had Securities realizable in London.

3439. By the Sale of those realizable Securities you obtained from the Bank of England any Sum of Money which you might want at the Period at which you wanted it?

We did.

3440. Has not the Operation of the Act of 1845 been, not to diminish the Withdrawal of Gold from the Bank of England, but to compel you to withdraw it at a Period when you do not want it, and to keep it withdrawn against the Arrival of a Period when you may want it?

Certainly.

3441. Consequently your demand upon the Bank of England for Gold has been neither more nor less than it would have been under former Circumstances in a Time of Pressure, but it was greater at a Time when there was no Pressure, and when, consequently, you did not require to have the Gold?

We hold more Gold now than we did before; but, in addition to the Gold that we hold in our Coffers, we are obliged to apply for the same Extent of Gold that we did on previous Occasions, in order to meet Foreign Demands.

3442. Therefore, in Times of Difficulty, you, having realizable Securities, still continue to draw upon the Bank of England, notwithstanding you have already drawn from the Bank a Sum of nearly a Million, which remains idle in your Coffers, and not available to you?

Certainly.

3443. You say that you do that for the Purpose of avoiding any Restriction of your Paper Currency, which otherwise would be necessary?

We could not restrain our Currency more than we do at present. We are obliged either to issue Notes or to provide Gold. We have not it in our Power to diminish our Currency.

3444. Will you explain how it is that you have not Power under such Circumstances to limit your Currency?

Because we must pay Money to the Parties who are entitled to demand it from us. We must give them either Notes or Gold equal to what their Convenience and their Wants require, otherwise we must stop Payment.

3445. Have you no Mode of diminishing the Amount of your Currency by diminishing your Discounts of Bills, or augmenting the Rate of Discount?

Of course we can diminish the Amount of our Discounts, and we can raise the Rate of Interest.

3446. Would not that be a Mode of diminishing the Currency?

I think that is very questionable. I entertained at one Time the Opinion that by our Operations upon our Advances we might exercise an Influence on the Amount of the Currency; but I am inclined now to entertain an opposite Opinion. During the whole of the Year 1847 the Rate of Interest we allowed upon Deposits and the Rate of Interest we charged was higher than at any previous Period; it was higher than in the Year 1846; but during the whole of 1847, when we were endeavouring by those Means to protect ourselves,—not with the view of diminishing our Currency,—it was in larger Amount in every Month of that Year than it had been during the whole of 1846, which was a Year of comparative Ease. So that I conceive, so long as there are internal Transactions requiring Notes or Gold to perform them, Bankers must, either through the Demands of their Depositors, or in one shape or another, furnish as much Currency as those Transactions require.

3447. You do not mean to say that it would not be in your Power to check the Advances?

Theoretically it is in our Power, but practically, from the Connexion that we have with our Customers, we are obliged to put ourselves in a Position to answer their Demands to the Extent that their Position legitimately requires; that

that is to say, guided by the Extent of their commercial Wealth and other Circumstances that warrant our Advances. If we did not keep ourselves in a Position to do it we should lose our Connexion and lose our Business.

3448. Do you mean to say that the Banks in Scotland have no Means of restricting their Transactions?
They can restrict their Transactions, but they cannot control their Currency.

3449. Admitting for the Moment that Restriction of Transactions does not control the Currency, do you mean to say that it is not in the Power of the Scotch Banks to limit the Amount of their Transactions?
They can do so; they can restrict the Amount of their Advances, but not control the Amount of their Currency.

3450. You stated that about 900,000*l.* more of Specie has been held by the Banks in Scotland since the Act of 1845 came into operation than was held before, and you expressed an Opinion that that was an injurious Circumstance. What Detriment do you conceive takes place in consequence of that additional Amount of Specie being lodged in the Banks in Scotland?
It absorbs unprofitably so much of the Capital of Scotland.

3451. Is not the sole Evil which results the Amount of Loss of Interest upon the 900,000*l.* more held by the Banks than formerly?
That is the direct Effect certainly.

3452. What other Effects, direct or indirect, are there from that Circumstance?
Supposing that 900,000*l.* of Specie were in the Vaults of the Bank of England instead of being in the Vaults of the Banks in Scotland, it would strengthen the Position of the Bank of England to that Extent.

3453. Not if it were liable to additional Demands from Scotland?
If those Demands were made from Scotland, certainly not.

3454. Have any Demands for Gold in Scotland ever taken place within your Recollection for internal Purposes?
Never, with one Exception, that I am aware of.

3455. Will you state the Circumstances of that Exception?
It arose out of the Failure of the Renfrewshire Bank and the Leith Bank.

3456. Private Banks?
Private Banks. Those were Failures I think in the Year 1843, and they are the only Banks by which the Public of Scotland have ever lost any considerable Sums. Previously to that Period I believe the whole Losses that the Public have sustained from Scotch Banks did not exceed 32,000*l.* or 33,000*l.*

3457. When you state that the Losses by Scotch Banks did not exceed 33,000*l.*, during what Number of Years was that?
For about a Century.

3458. Did those Losses throw any Discredit upon the Circulation of the Scotch Banks?
Unquestionably they did.

3459. To any great extent?
Not to any great Extent, and only for a short Period.

3460. Can you state for what Period?
I think about a Couple of Months.

3461. Do you know, with respect to the Year 1843, what the Amount of Gold was that there was a Demand for?
I could not say.

3462. Do you know what was the Amount of the Loss which the Public sustained by the Failure of those Two Banks to which you have alluded?
I think somewhere under 200,000*l.*

3463. Those were private Banks?
They were.

 3464. There

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3464. There are no private Banks now in existence in Scotland?
No, there are none.

3465. You stated that the Possession of an increased Amount of Gold by the Banks in Scotland could have no Effect whatever in relieving at any Period the Bank of England?
Not from the Effect of any external Drain.

3466. You stated that it could be of no Use to the Bank of England that the Scotch Banks should possess an increased Quantity of Specie, because the Demand upon the Bank of England must at all Times be the same?
Supposing the Demand arose from Panic, and our Circulation was reduced, then we could make use of the Gold that was in our Possession, but not otherwise.

3467. Then in case there should arise by any Accident a Distrust of your Currency in Scotland, there then would be a Demand for Specie, for which the Treasure held by the Banks in Scotland would be available?
To the Extent of the Diminution of the Currency of Scotland.

3468. In short, to whatever Extent that Run upon the Banks took place the Gold held by them would be available?

3469. To that Extent it would protect the Bank of England, and any other Banks in England to which the Scotch Banks might otherwise apply, from any Demand from that Source?
It would.

3470. And thereby contribute to strengthen the local Circulation of Scotland?
If you suppose a Panic is to arise in Scotland.

3471. Are the Committee to understand that you are only called upon to hold Gold when you extend your Circulation beyond a certain Amount?
Yes.

3472. Is the Limit which you are bound not to exceed too confined, in your Opinion, for the Wants of the Country?
I think I have already stated that it is.

3473. You stated that the Amount of Gold has very much increased since the Act of 1845, and that it has been Eight or Nine hundred thousand Pounds beyond the Amount of Gold held formerly?
I have.

3474. And this you conceive to be a greater Amount of Gold than is necessary for the Security of the Public?
It is.

3475. Then why is it that, being compelled by the Act to hold a certain Amount of Gold against your Notes, you hold a still greater Amount than that?
We require to hold against our Circulation an additional Quantity to cover the Excess beyond what we are permitted to issue. We held previously in Scotland an Amount of Specie that was required for internal Purposes of any kind. We must still hold Gold for those Purposes, and we must obtain additional Gold to protect ourselves against exceeding the Sum we are allowed by Law to issue.

3476. You were understood to say that previously to 1845 you were obliged to keep, say 300,000 *l.* in Gold, for the internal Wants of the Country; and that since the passing of the Act of 1845 you are obliged to keep to the Amount of about 900,000 *l.* additional to meet your Excess of Circulation over the Circulation allowed you by the Act?
That is what I stated.

3477. Previously to the Act of 1845 you kept a Proportion of Gold, regulated by your Discretion and by your Experience, to answer the Demands made upon you. Since the Year 1845 you are obliged to keep, over and above that, a Quantity of Gold equal to the Amount of your Issues beyond the Sum to which you are limited?
Equal to the Excess beyond what we are permitted to issue.

3478. Before 1845 you kept a certain Proportion of Gold to the Quantity of Paper issued; since that you have continued to keep Gold in proportion to the Amount of Paper which you before issued, and you have kept also an additional Amount of Gold equal to the Paper which you have issued over and above your former Issues?

Yes.

3479. So that it does not depend upon the Discretion of the Banker what Proportion of Gold he shall keep to answer his Notes, but it is regulated by the Act of Parliament with reference to the Amount of his Issues beyond his old Issues of Paper?

That is precisely what we are obliged to do.

3480. And that Amount of Gold is not available for any Purpose unless you diminish the Amount of your Issues?

Unless we diminish the Amount of our Currency we cannot part with any of the Gold which we are required to keep against it.

3481. Have you any Objection to state what Proportion of Specie, with reference to your Circulation, you were in the habit of keeping before the Act of 1845?

I was then at the Head of the Ayrshire Bank; I had not joined the Western Bank; but the Circulation was about 50,000 *l.*, and I generally kept about One Fifth in Specie.

3482. Was not it the habit of certain Banks to keep from a Fourth to a Fifth in Specie?

Yes.

3483. What Proportion of that was Gold, and what Proportion Silver?

I should think Half Gold and Half Silver.

3484. Are you aware what is the Proportion that is now kept?

Looking at the Returns, it appears to be from a Third to a Fourth of their entire Circulation; it is above a Fourth generally.

3485. Seeing that well-managed Banks under the former System held from a Fourth to a Fifth of their Circulation in Specie, and that the Actual Amount now held is about a Fourth, it does not appear that there is any great Change made as respects those Banks?

It rested entirely upon the Discretion of each Banker, and the Bankers are guided by the Circumstances of their different Localities. We always retain that Sum at the Ayrshire Bank; perhaps it was more than was necessary.

3486. If you kept about a Fourth or a Fifth at the Ayrshire Bank you probably thought it was desirable for the Credit of your Bank to do so?

It was not known what we kept; the Public were perfectly ignorant of that.

3487. But you thought it desirable, for your own Security, to keep that Amount in Specie?

I did so.

3488. What is the Proportion of Specie now held?

The Circulation varies from 3,000,000 *l.* to 3,900,000 *l.*, and the Amount of Specie from 1,100,000 *l.* to 1,200,000 *l.*

3489. Has not it amounted very nearly to 1,300,000 *l.*?

It has amounted to 1,284,000 *l.*

3490. Supposing it was the Practice of Banks managed in the Way in which that was to which you were attached before the passing of the Act to retain the Amount of One Fourth in Specie, there does not appear to have been any great Change in their Practice since the passing of the Act, as you say that they now hold between a Third and a Fourth?

We held Gold and Silver then not in Proportion to the Amount of our Circulation, it bore no Reference to our Circulation, but it bore reference to the Demand upon us from any Cause for Gold. In my District I had a small Circulation of 50,000 *l.*, so that the Amount of Gold which I held for the Purposes of my District formed a large Proportion of the Extent of my Circulation,

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whereas Banks with a large Circulation did not require to keep the same Proportion of Gold to their Circulation that we did. They were required merely to look to the Demands that arose upon them for Gold, and to provide against those Demands irrespective of what their Circulation might be.

3491. For what Purposes, independently of your Issues, was it necessary to keep this additional Amount of Specie?

Frequently, in the Periods of Emigration, there was a Demand for Gold. Sometimes it is wanted by People travelling to the South or going to Ireland. Sometimes in particular States of the Exchange with Ireland Specie was taken across there in Payment for Goods brought from Ireland, but it bore no reference to the Amount of our Circulation.

3492. Would not those Demands be greater upon Establishments that did a great Extent of Business than upon smaller Establishments? Would not they bear some Proportion to the Amount of Business that they did?

Of course they would; but that would depend very much upon the peculiar Circumstances of the Localities in which they were placed.

3493. There seems to be some Misunderstanding with regard to your Evidence. You were understood to say that well-conducted Banks in Scotland previously to the Operation of this Act generally kept the Amount of a Fifth of their Issues in Gold; how do you reconcile that with the Statement that, previously to the passing of that Act, the average Issues of the Banks were 3,000,000 *l.*, and that the average Amount of Bullion in the different Banks varied from 300,000 *l.* to 450,000 *l.*, that is to say, from a Tenth to a Seventh?

It was not my Intention to have said that well-managed Banks retained that Proportion of Specie, but that I, at the Ayrshire Bank, retained that Proportion of Specie to my Circulation, from the Circumstance that my Circulation was small, and that I found it necessary, from the Demands for other Purposes, to hold a Reserve of Gold and Silver that was equal to about a Fifth of my Circulation; but larger Establishments, that had a larger Amount of Circulation, might find it sufficient to have a smaller Proportion to their Currency in Specie to answer the same Purposes for which I held a Fifth.

4494. Has not, practically, the Effect been, that instead of holding from a Seventh to a Tenth in Specie, as they previously did, the Banks in Scotland have been compelled, by the Operation of the Act, to hold a Third of the total Amount of their Issues in Bullion?

Such has been the Effect.

3495. Assuming, according to the Statement you have just made, that in your Case you kept a Reserve of One Fifth, and that the general Average was only from a Seventh to a Tenth, it appears that, from whatever Cause, the Reserve that you kept was far above the Average?

It was.

3496. The Average of the whole being from a Seventh to a Tenth, and your Proportion and that of several other Banks being considerably above that Average, there must have been a great Number considerably below that Average?

Unquestionably.

3497. Assuming that to be the Case, then do you think it desirable that a System of Banking should exist in Scotland of which a great Portion depends upon Issues which are not supported by even a Seventh or a Tenth of the Amount in Specie?

I can only refer to what has taken place in Scotland. There is no Country in the World where Confidence in the Banking Issues has been so unlimited, and where the Losses have been so few, as they have been hitherto in Scotland. I think it is only by looking back to the Experience of the past that you can judge of the Future, so far as Banking is concerned.

3498. Must not we again revert to the Question, whether that Security in Scotland was not sustained by a Reliance upon England?

Not for external Purposes.

3499. Do you think that, although your Bank may not have had Occasion to increase the Pressure upon the Bank of England at a Moment of Difficulty,

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a Bank which held less than a Seventh or a Tenth of its Issues in Specie might not be compelled to do so?

Not unless there was a Distrust of its Solvency.

3500. Supposing there was a State of Excitement and Alarm which led to Apprehension or Distrust, do not you think that a Bank under those Circumstance would find itself compelled to go to some other Quarter to obtain the Specie necessary to answer its Issues?

There is no Doubt that the Banks would be obliged to adopt whatever Measures they found necessary for their Safety.

3501. You have hinted that every Banking System is liable to Contingencies of that kind. Do not you think that the Charge of those Precautions fairly rests upon those who manage the System?

The Contingency is so remote in the case of Scotland I can hardly see it is absolutely necessary to compel us to hold Specie for the Purpose of meeting a Danger that is so uncertain and that has not hitherto arisen.

3502. Of course you did not, as the Manager of a Bank, keep a larger Proportion of Specie than you thought sufficient?

Not more than I thought sufficient; but it bore no reference to my Circulation.

3503. Was your Bank on the Western Side of Scotland?

Yes.

3504. Does not considerable Emigration go forth from the Western Side of Scotland?

There has been frequently considerable Emigration from the Western Side of Scotland.

3505. When that Emigration takes place do not you find it necessary to hold a considerable Quantity of Specie?

Yes.

3506. Consequently your Bank being situated in that Part of Scotland you were compelled to keep a larger Proportion of Bullion than Banks in other Parts of Scotland; for example, the Banks on the Eastern Coast?

Larger than Banks that were not subjected to the same Demand.

3507. When did you become the Manager of the Western Bank instead of the Ayrshire Bank?

In the End of 1845 we joined the Western Bank.

3508. You have no Knowledge of the Amount of Bullion kept by the Western Bank previously to your Connexion with it?

I have none.

3509. Before the passing of the Act of 1845, if there had been any undue Excess of Issue on the Part of the Scotch Banks, what would have been the Consequence upon the Exchange with London?

The Effect of an Excess of Notes, if there had been one (which I am inclined to suppose there could not be), would have been to create a Demand for Money from Scotland, to be transmitted to London.

3510. Will you explain that Transaction?

The Currency of Scotland bears the same Relation to the Currency of England that the Currency of England does to the Currency of France. They are completely separate in every Way; and any Excess of Currency in Scotland must operate more powerfully upon the Exchanges between England and Scotland than upon the Exchange of Scotland with any other Part of the World, because our commercial System is more intimately connected, and our commercial Transactions are much greater with England than with any other Part of the World.

3511. Under those Circumstances, before the passing of the Act of 1845, do you think that, as a necessary Consequence, an Equilibrium between the Value of the Currency in Scotland and in England must have taken place?

Unquestionably.

 3512. Assuming

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3512. Assuming the Possibility of an Excess of Currency, however momentary or temporary, in Scotland, must not that at once manifest itself in a Demand for Bills upon London?

It must have done so.

3513. Supposing that that Excess was not general throughout all the Banks of Scotland, but was traceable to the Operations of One particular Bank, must not that Excess have manifested itself by an Exchange between the Notes of that Bank and the Notes of other Banks which did not issue in excess?

The Effect of it must have been as stated in the Question. The Exchanges would have been always adverse to a Bank that had increased its Issues beyond a due Proportion to its Business.

3514. So that had an Excess of Issue taken place either on the Part of a single Bank, or on the part of a few of the Banks, or on the Part of all the Banks in Scotland acting conjointly, it would have been entirely checked either by the Exchanges between Bank and Bank or by the Exchanges between Scotland as a whole and London?

The Scotch Currency certainly would have been controlled by the same Principles that determine the Currencies of different Nations. Any Excess in the Currency of Scotland would certainly have turned the Exchange with England against us.

3515. If the Object of the Provision of the Act of 1845, which compels you to hold a considerable Excess of Specie beyond what you formerly held, were solely for the Purpose of preventing an undue Excess of Notes in Scotland, was not that Purpose answered by the Circumstance of the Exchange between England and Scotland, and between the Scotch Banks inter se, without the Necessity of that additional Provision of Gold?

I think that leads to the Question whether we could issue in excess in Scotland. Supposing that we could issue in excess, it would not affect the Bank of England, but it would affect the Banks in Scotland. It would create upon them a Demand for Bills or Drafts upon London, but would not create upon the Bank of England a Demand for Gold for Foreign Payments.

3516. Before the Act of 1845 were the Circumstances of the internal Exchanges with London an adequate Security against undue Issue on the Part of the Scotch Banks?

They were.

3517. If that be so, is there any public Advantage commensurate to the increased Charge which is thrown upon the Scotch Banks by reason of the Provisions of the Act of 1845?

None that I am aware of.

3518. You mentioned that the most important Loss to the Public by the Banks of Scotland took place about the Year 1843, on the Failure of the Renfrewshire and Leith Banks?

I think so.

3519. Was it known when that Failure took place what the Amount of Specie was in either or both those Banks?

It was not known.

3520. Did it not come out, in the Inquiries consequent upon that Failure and that Bankruptcy, what the Amount of Specie held by those Banks was?

It may have come out upon Examination. It would appear as Part of their Assets; but I am not aware what it was.

3521. Supposing the Act of 1845 had been in existence at that Time, would it in your Opinion have prevented what took place with reference to those Two Banks?

There are other Provisions of the Act that are highly beneficial, such as the Publication of the Names of the Partners. Had the Public been aware that the Renfrewshire Bank, which originally was a very strong Bank, had gradually sunk to being a very weak Bank, the Amount of its Liabilities, I am satisfied, would have been reduced as its Strength was reduced; and therefore the Public would

would not have suffered to the same Extent that they did; but I am not aware of any Effect that the Provisions in the Act of 1845 would have had beyond the additional Amount of Gold that Bank might have been compelled to hold against its Circulation above what it did hold. If it had held more, that would have been an increased Amount of Assets.

3522. Supposing their Issues were within the Amount regulated by the Act of Parliament, they might have had no Bullion at all in their Coffers?
Certainly.

3523. Therefore, in that Case, the Bill would not have given any larger Assets to the Creditors?
No. What I said proceeded upon the Supposition that the Effect of the Bill would have been to compel them to hold a larger Amount of Gold against their Issues.

3524. Will you explain how the Balances between Bankers in Scotland are ordinarily settled now?
In Edinburgh the Banks hold a certain Amount of Exchequer Bills amongst them all, I think it is about 240,000*l.*, and there is a Maximum, and Minimum that they are obliged to hold. Whenever any Bank reaches its Maximum, it then can compel a Bank that has not its Minimum of Exchequer Bills to purchase Exchequer Bills from it. The Balances amongst all the Banks are settled by Drafts upon London.

3525. Is the Maximum settled by Regulation amongst themselves?
Yes.

3526. Is not this System of employing Exchequer Bills for this Purpose one of modern Introduction.
It is. I believe it was intoduced by Mr. Blair.

3527. Do not you conceive it to be a very ingenious Mode of economizing Specie, whether in London to be drawn against, or in Scotland to be held by Banks?
It certainly economizes the Use of Specie, if you are to suppose that Specie is to pass in the Payment of Balances.

3528. Supposing that the Balances were settled by Drafts upon London, would not those Drafts upon London practically be equivalent to Specie?
Equivalent to Specie in the Settlement of the Balance.

3529. Then, so far as the Exchequer Bill System has been introduced between Bank and Bank, does not it produce Economy in Drafts upon London, and consequently economy in the Use of Specie?
It produces Economy in Drafts upon London; but I am not sure that it produces Economy in the Use of Specie.

3530. When you draw upon London you draw against Assets in the Hands of your Correspondent, and those Assets in London are Assets convertible into Specie?
Yes.

3531. If by the Exchequer Bill System you economize those Assets, do not you practically economize that Specie which is in the Hands of the Bank of England, or in the Hands of your Correspondent in London upon whom you draw?
I do not know that it goes that Length.

3532. Does not it economize your Assets in London in proportion as you are able to settle your Balances without drawing upon those Assets?
Exchequer Bills are Assets in London.

3533. Does not the Use of those Exchequer Bills for the settling of your Balances lessen your Drain upon your Assets in London?
Yes.

3534. And those Assets in London are convertible into Specie?
They are convertible into Specie.

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3535. Then, practically speaking, does not the Introduction of the Exchequer Bill System of Settlement between Bank and Bank cause a Demand for a less Quantity of Gold, whether in the Shape of Assets in London convertible into Gold or in the Shape of Assets of the same Nature in Scotland?

It does.

3536. Was it not subsequently to the Adoption of that System that the Act of 1845 passed?

Yes.

3537. Therefore there has been a greater Necessity imposed upon you of providing Gold at a Time when by your Banking Arrangements a less Quantity of Gold was required for that Purpose?

That has been the Effect of it.

3538. The Returns made by the Banks are made on the last Business Day of the Week?

They are.

3539. There are generally Two Settlement Days in the Week?

Yes.

3540. Is it not the Fact that they are not the same on the Two different Sides of Scotland?

The final Settlement takes place in Edinburgh. There is an Exchange in Glasgow, but that is transferred and adjusted in Edinburgh; it enters into the Edinburgh Exchange.

3541. The Days in Edinburgh are Tuesday and Friday?

Yes.

3542. The Returns are made on Saturday?

Yes.

3543. Has not the Consequence of that been, that by making the Returns immediately after the Exchange on Friday, there would appear to be a smaller Amount of Issues to the Charge of each Bank than if the Returns had been made on the morning of Friday?

There is a smaller Amount of Issues if the Returns are made before than after the Exchange.

3544. Taking the Returns as they are made on the Saturday Morning, immediately after the Exchange upon the Friday, do you think those Returns give a strictly correct Result as to the Amount of Circulation?

I think they do.

3545. Will you explain how you think there can be a correct Account given without taking the Circulation which was exchanged on the Day before?

Because the Returns of our Circulation give a pretty accurate Account of the Amount of Notes in the Hands of the Public. We only consider the Circulation to consist of those Notes which are in the Hands of the Public. The Notes which are exchanged by the Banks from the Time they are in their Possession have ceased to be practical Circulation, because the same Result would take place, supposing, instead of exchanging our Notes twice a Week, we exchange our Notes daily or hourly. It would show precisely the same Result, so far as regards the Amount of Notes held by the Public. At one Time one Bank may have more Notes of its Neighbour than at another; but that does not affect the Circulation.

3546. But you are in the course of issuing Notes from the Period of one Settlement to another. Now, supposing a Settlement to have taken place on Tuesday, on Wednesday Morning you commence issuing afresh, and there is a gradual Issue of Notes on your Part up to the next Settlement on Friday?

But they would be coming into the Bank daily.

3547. How can you be sure of that?

We know it from the Fact that Payments are daily made by Persons to their Accounts of all the Money they have beyond what they require for their daily Purposes. Supposing that, instead of exchanging Two Days in the Week, we were to exchange at the End of each Day's Business, as they exchange Drafts in the Clearing House in London, precisely the same Result,

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as far as regards the Amount of Circulation, would be shown as is shown by the Returns given weekly arising from the Two Exchanges.

3548. How can you positively assume that Notes which are issued on Wednesday Morning will be paid in before the Friday?

We know it by the Amount of Notes that come in upon ourselves. Of course, to a certain Extent, it is a Calculation. We see that we get in daily a certain Proportion of the whole Amount of Notes that we issue each Day. We issue daily a certain Amount, and there returns daily upon us a certain Proportion of it.

3549. The Practice of paying Interest upon their Deposits by the Banks in Scotland of course brings the Notes back to them as quickly as they can come when not wanted for daily Purposes?

The Practice of allowing Interest upon Deposits induces Parties immediately to pay in their Money that they do not require for their daily Use for Expenditure for small Transactions.

3550. Does not the Practice of the Banks allowing Cash Credits act in a similar Manner in inducing Parties to pay up as quickly as possible?

Of course the more they pay in, the less Interest they have to pay upon their Advances.

3551. Allowing their full Weight to the Action of those Cuses, must there not, nevertheless, be a great Proportion of Issues made from Day to Day which remain out for a longer Period than the Day itself, and which, in fact, are in operation for a longer Period?

I believe that if you test the Amount of Circulation either by daily Exchanges or by weekly Exchanges, the Amount of the Circulation in Scotland, except at the Term Periods, is subject to very little Fluctuation.

3552. The Mode in which you make your Return is this: that you take the entire Amount of your Notes, and then you subtract from that entire Amount the Portion which is in your Hands, and the Remainder is deemed to be in the Hands of the Public?

That is the Mode in which we ascertain the Circulation.

3553. All that remains is deemed to be in the Hands of the Public, whether it is in the Hands of the Public or in the Hands of other Bankers; and if, from the Circumstance of the Return being made immediately after the Settlement, none are held by other Bankers, the entire Amount is deemed to be in the Hands of the Public?

Yes.

3554. Is it not the Practice of some of the Banks to make an Allowance for the Notes of other Banks which they hold?

No; I think no Allowance is made for the Notes of other Banks.

3555. Do not some Banks do it?

I am not aware of it.

3556. Is it not the Fact there is no Country in the World in which People have such Confidence in their Banks as in Scotland?

I believe that has been the Case hitherto.

3557. What do you suppose that extreme Confidence is grounded upon?

It has proceeded from the Exemption from Loss for so long a Period. I think it is attributable principally to our having been permitted to form Banks with as many Partners as were disposed to enter into Banking Business.

3558. You attribute it very much to the enormous Wealth possessed by the Proprietors of each Bank?

To the Wealth of each Bank being fully adequate to meet its own Liabilities.

3559. You stated that at a very moderate Computation the Wealth possessed by the Proprietors of the Bank of which you are Manager could not be under 10,000,000 *l.* What is the Amount of Circulation allowed by the Act of 1845 to your Bank?

£. 337,000.

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3560. Do you think with respect to the other Scotch Banks generally that their Wealth bears any thing like the same Proportion to their Circulation?
I should think it does generally.

3561. You take into account the private Property of the individual Partners?
Yes.

3562. That Argument would not apply where there is a chartered Bank, of which the Responsibility is limited to the Amount of the Stock?
Unquestionably not.

3563. How many Banks does that apply to?
I believe there are Three Banks in Scotland that are Banks of limited Responsibility, the Royal Bank, the Bank of Scotland, and the British Linen Company.

3564. Are they limited by Act of Parliament?
The Bank of Scotland is limited by Act of Parliament, the others by Royal Charter.

3565. The Act of 1845 was founded upon the average Amount of the Circulation during the Year previously?
During the Thirteen Lunar Months previously to the Introduction of the Act.

3566. You stated that that Amount was considerably below the average Circulation of Scotland at that Period?
It has been considerably below what the average Circulation of Scotland has been since. At the Period at which it was taken, the Circulation was low, because the Country was in rather a depressed state at the Time; we were recovering from a Period of Difficulty.

3567. Do you conceive that that accounts for the Difference between the Average taken at that Period and the Average since?
I think it is attributable to that.

The Witness is directed to withdraw.

J. A. Anderson, Esq.

JAMES ANDREW ANDERSON, Esquire, is called in, and examined as follows:

3568. You are the Manager of the Union Bank of Scotland?
Yes.

3569. To what Causes do you attribute the Distress in the latter Part of 1847?
Principally to the great Purchases of Corn and other Food that were necessary in consequence of the Failure of the Crops in this Country, and after that (some People think before that), to the immense Investments of Capital in Railways; both of those had a double Action, the real Abstraction of Capital and the speculative Abuse of Credit.

3570. Do you consider that the Distress was aggravated by the Bank Charter Acts of 1844 and 1845?
In the first instance I do not think it was aggravated, but when the Crisis came it was very much aggravated, I think.

3571. In your Experience have you ever known such a Pressure as existed in the latter Part of last Year?
Certainly not.

3572. Do you object to the restrictive Conditions of both those Acts as to the Circulation?
I do, to both of the Acts of 1844 and of 1845.

3573. Do you think that a Power of Relaxation ought to be given in the Act of 1844?
I think any Restrictions are unnecessary, and ought not to have been imposed.

3574. Do

3574. Do you object to the Act only as wanting a Power of Relaxation, or do you object to it altogether?
I think it is altogether founded upon a wrong Principle.

3575. As far as regards the restrictive Portion of it?
As far as regards the Restriction of the Paper Currency.

3576. With respect to the Act of 1845, are you of opinion, provided the Number of Banks is restricted, there can be no Use in restricting the Amount of the Circulation?
I think there can be no Use in restricting the Circulation, if it be convertible, whatever the Number of Banks may be.

3577. You think the Circulation will restrict itself?
It would restrict itself.

3578. The System of Exchanges between yourselves prevents any Over-issue on the Part of any One Bank?
Yes. There is a more powerful Preventive than the System of Exchanges, the universal Practice in Scotland of keeping a Bank Account; everybody who has any Money at all has a Bank Account, and puts in every Day the Money which he does not immediately want, so that at the Close of the Business of the Day there is no Money scarcely out of the Banks except what People have in their Pockets.

3579. You are aware that the Wealth of the Scotch Banks is very enormous?
It is very great now.

3580. At a very rough Calculation, what would you state the Wealth of your Bank to be?

I have not the Means of making even a rough Calculation; I know that it very greatly exceeds all the Liabilities of the Bank. I suppose there are Half a Dozen Banks in Scotland the Proprietors of each of which are worth Ten Millions.

3581. What is the Circulation allowed to your Bank by the Act of 1845?
£. 327,000.

3582. Has there been any Run for Gold to any Amount in the last Century?
None that I am aware of.

3583. The only Run for Gold that has taken place was on the Occasion of the Failure of Two private Banks, the Renfrewshire and the Leith Bank, in 1843?
Yes; that was to a very small Extent.

3584. And for a very limited Time?
Yes.

3585. Did that Run extend to other Banks?
It did; but very trivially. Some of the other Banks which were least known paid other People's Notes in place of Gold; that is to say, the Public who ran upon them for the Payment of their Notes would have taken other Banks Notes as readily as Gold.

3586. What do you consider to have been the Objects of the Act of 1845?
I think the principal Object seemed to be the Idea that it would relieve the Bank of England. I think there was an Impression that in a Time of Scarcity the Scotch Banks leaned upon them for a Supply of Gold.

3587. Do you think there was no such Pressure?
I think there was no improper Pressure, and that whatever there was, the Act did not in the least Degree remove it.

3588. The only Pressure upon the Bank of England by the Banks in Scotland for Gold was for Foreign Exchanges?
It was; and that is not to be relieved by holding Gold in Edinburgh. We still have the same Occasion to apply to the Bank of England for Gold.

3589. The extra Quantity of Gold which the Banks of Scotland are now obliged to hold on account of the Act of 1845 in no way relieves the Bank of England

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England from the Pressure which occurred before from the Scotch Banks for Gold at certain Periods, and which occurs the same now?

We are obliged to keep the same Amount of disposable Funds in London that we did before. We have very little occasion to go to the Bank of England direct for Gold. Our Operations may ultimately lead to the Withdrawal of Gold from the Bank of England. If we have to supply Funds for the Purchase of Corn from the Continent, that, eventually, may draw Gold from the Bank of England, but we do not go there for Gold.

3590. Having the same Amount of Securities in the Bank of England, you have the same Power that you had before of making a Drain upon the Bank of England?

Certainly.

3591. And you consider that there is no Difference caused in that respect by the Act of 1845?

I consider that there is no Difference in that respect.

3592. What was about the Amount of Gold held in all Scotland previously to the passing of the Act of 1845?

It was somewhere between Three and Four hundred thousand Pounds, but it was held very unequally; some held as much as they do now, others held very little, and even those that held the smallest Quantity found it quite sufficient.

3593. What Amount of Gold has been held since the passing of the Act of 1845?

It is between Eleven and Twelve hundred thousand Pounds.

3594. There has been no increased Circulation of Gold since the passing of that Act?

No.

3595. Has the Circulation authorized by that Act been exceeded generally since the passing of that Act?

It has been exceeded very generally.

3596. Particularly at Two Periods of the Year, at the Two Term Times?

Yes.

3597. In May and November, when it has been invariably greatly exceeded?

Yes; generally about a Million above the authorized Amount.

3598. What is the Cause of the Expansion that takes place at those Two Periods of the Year?

A great deal for the Payment of Rent and Wages. The Amount of Expansion in the Country is greater than in Town. The Expansion at the Ayr Bank was larger than in Glasgow. In the whole Country it expands generally from Three Millions to Four; about a Third Increase.

3599. How soon do those Notes come back again into the Banks?

They begin to come back about a Fortnight after the Term Day. There is a little Delay, because still the old Style is kept in some Parts of Scotland, so that it is the Beginning of June before there is any marked decline. After that, it declines gradually during the whole of the Summer.

3600. Does that Expansion occupy about a Month?

Yes; not more than a Month elapses till it is considerably reduced.

3601. Has the Fluctuation in the Amount of the Currency, and in the Amount of Interest, been greater since the passing of this Act than it ever was before?

The Fluctuation in the Amount of the Currency has been somewhat greater. In Interest the Fluctuations have been very much greater.

3602. How do you account for that; do you apprehend that that is owing to the Act?

The Fluctuation in the Amount of the Currency has been owing to the State of Affairs in the Country generally, and in particular to the great Amount paid in Wages to Railway Labourers. The Fluctuations in the Rate of

of Interest I think have been a good deal owing to the Operation of the Act of 1844.

3603. They have been owing to the Operation of the Act of 1844, not the Act of 1845?
Not the Act of 1845.

3604. Are you against all legal Restriction of the Issue of Paper by the Banks?
I do not think it is necessary. I think the Convertibility is a sufficient Restriction.

3605. You think that Convertibility alone is a sufficient Restriction against over Issues?
I think so.

3606. Do you think there should be any Limit to the Sum for which a Bank Note for Circulation may be made? Might there be 5 *s.* Notes?
I do not know that in Principle there is any Difference.

3607. In your Opinion, should there be any Restriction with regard to the Amount of the Sum for which a Bank Note may be made?
I think that great Inconvenience has been found in other Countries from issuing Notes of a very small Amount. In the United States of America I have seen Notes of the smallest possible Denomination. They were, however, very much depreciated, and their Circulation was limited to within a Mile or Two of the House where they were issued. The 5 *s.* Note Circulation in Scotland is just about as old a Matter as I can remember. I do not think it was attended with much Inconvenience, but I believe it was better to suppress it.

3608. Why was it better to suppress it?
In those Days Forgery was much more easy and more frequent. Forgery seems to have been at an end for some Years past in Scotland. Since I have been in Banking Business, during Eighteen Years, we have never had an Instance of Forgery, except One.

3609. Setting aside the Danger of Forgery, would any Danger arise to the Circulation of the Country from allowing Notes to be made of a very small Amount?
I do not see that any Danger would arise, if Care were taken that Banks should not issue Notes at all without a sufficient Capital.

3610. Is not there a good deal of Silver now in Circulation in Scotland?
Yes.

3611. If there were Bank Notes to the Amount of 2 *s.* 6 *d.* or 1 s. 6 *d.*, would not the Silver disappear as the Gold has done?
I dare say it would to a certain Extent; but Silver would be more convenient for small Sums than Bank Notes would be. A 1 *l.* Note is more convenient than a Sovereign, but a 1 *s.* Note would not be more convenient than a Shilling.

3612. Would you allow the Person who is to receive or to pay the Money to make the Choice?
I cannot speak to that.

3613. Does anybody want smaller Notes than 1 *l.* Notes in Scotland?
I do not think they do. I have never heard any Desire for the Resumption of 5 *s.* Notes.

3614. Do you consider that the Withdrawal of the Power of issuing 1 *l.* Notes in Scotland would be ruinous to Scotland?
I think it would be very detrimental.

3615. Almost ruinous?
I cannot say that.

3616. Why would it be more ruinous in Scotland than it is in this Part of the Kingdom?
I think "ruinous" is too strong a Word; but it would be inconvenient and detrimental.

 3617. Why

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3617. Why would it operate more prejudicially in Scotland than in England?
I do not know that it would. In one respect it would, because 1 *l.* Notes have a more extended Currency in Scotland than they have had in England. Each Bank's Note in Scotland has the Currency that a Bank of England Note has in England.

3618. Supposing the Inconvenience of replacing it to be once incurred, would after that Time any material Inconvenience continue to be experienced?
There would be the Loss of the Gain that is now recieved by the Banks upon Two Millions of Money.

3619. Would that Loss fall upon the Industry of the Country generally?
Certainly it would. It would require the Banks to increase their Profits in some other Direction.

3620. Would the Banks be able to pay Interest on their Deposits if they only issued Gold?
Not the same Rate of Interest.

3621. There would be the same Loss that was incurred by the Bank of England upon the Withdrawal of its 1 *l.* Notes?
Yes.

3622. The Wear and Tear of the Gold also would be a Loss to the Country?
Yes.

3623. In your Opinion might there be an unlimited Issue of 1 *l.* Notes in England as well as in Scotland?
I see no Reason against it.

3624. Do you believe that One Half of the Improvements in Agriculture would have taken place in Scotland if it had not been for the Scotch System of Banking and the Issue of 1 *l.* Notes?
I have no Doubt that the System of Banking gave great Facility and Extension to agricultural Improvement in Scotland.

3625. There is great Opportunity still for an improved Cultivation of the Land in Scotland?
No doubt.

3626. If 1 *l.* Bank Notes were withdrawn, would not that have the Effect of checking the Spirit of Improvement in many Parts of the Country?
I have no doubt of it.

3627. Under the present System of Banking in England, if there were an unlimited Power of issuing 1 *l.* Notes, would there be any greater Danger arising from Panic than there is now?
We know very little of Panics in Scotland at all, and therefore I do not feel myself quite competent to answer that Question.

3628. Would not there be much less Gold in Circulation?
There would certainly be less Gold in circulation, and probably it would require a larger Rest of Gold in the Bank.

3629. The Scotch Bank Notes are not convertible at all their Places of Issue?
Not by Law; but in Practice we pay them at all the Places of Issue. As a Matter of Convenience to our Customers, we keep a moderate Supply at all the Branches.

3630. You said that if you had not 1 *l.* Notes, you would be obliged to decrease the Rate of Interest on Deposits?
Or in some other Way to increase our Profits to counterbalance the Loss.

3631. Do you think that the Circumstance of a 1 *l.* Note being legally payable in Silver has any Effect upon the Advantage of it in your System of Banking?
No, I do not see that it has; I think there is very little Difference between Silver and Gold in that respect.

3632. Do you think it would make any Difference with regard to the Payment of Notes in Specie if you were allowed to pay in Silver to the Amount of 5 *l.*

No, I am not aware that it would. We do not consider whether we are to pay in Gold or in Silver; we know that we are liable to pay in Specie; it is just as easy or easier to pay in Gold than in Silver. We happened lately to have a great Surplus of Silver, and it would have been more convenient to pay in Silver; but we consider that we are bound, as a Matter of Convenience to our Customers, to pay them in Gold if they demand it.

3633. Do you desire a total Repeal of the Acts of 1844 and 1845, or their Modification?

I do not know what Modification would meet the Case. I think they are founded upon false Principles, and that you cannot modify them to make them work well.

3634. Would you return to the System which prevailed under the Act of 1819 or to the System which existed previously to the passing of the Act of 1819?

Certainly not to the System which existed previously to the Act of 1819.

3635. You think that the Act of 1819 sufficiently secured the Convertibility of the Paper?

Yes; but I think that the Act of 1819 has been improved upon by Practice since the Establishment of Joint Stock Banks, which seem to me to have put the Currency upon quite a superior Footing to what it was when private Banks were more common than they are now, because they have larger Capital in almost every Joint Stock Bank than private Bankers usually have. The Fault in all Private Banks was the Withdrawal of the Capital of the rich Partners upon their Death. It was proved that the Banks which failed were originally strong well-established Banks. The last which failed in Scotland, the Renfrewshire Bank, was originally a Bank of great Strength and numerous Partners, but as they died out they were not replaced. Their Capital was gradually withdrawn, and it became only the Shadow of a Bank before it suspended Payment. Now that cannot happen with a Joint Stock Bank. The rich Partners may be succeeded by poorer ones but still the paid-up Capital must remain in the Concern.

3636. How did the Banks in Scotland stand during the Restriction of the Bank of England? Were the Banks of Scotland liable to pay their Notes in Specie before the Year 1819?

That was before I was a Banker; but they were bound to pay in Bank of England Notes, not in Gold.

3637. From what you have heard, do you believe that the English Joint Stock Banks are prudently conducted?

There have been Instances of the reverse. Some of them were originally imprudently conducted. They are now, I believe, very prudently conducted.

3638. You consider that the Scotch Banks are all very prudently conducted?

That would be rather a strong Thing to say; I myself have committed many Acts of Imprudence.

3639. Do you think that there are any of the Requirements of the Acts of 1844 and 1845 which might be continued usefully; such as the Publication of the Names of the Parties?

Certainly.

3640. You think there are Portions of the Bill which might be kept?

When I spoke of their total Repeal as being desirable, it was with reference to the Restriction of the Currency.

3641. You only meant as far as the restrictive Clauses went?

Yes; the Currency I think requires no Regulation so long as it is convertible.

3642. The Committee have heard something about Demands made upon the Bank of England by the Scotch Banks; when the Scotch Banks call upon the

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the Bank of England for Money it is drawing out their own Money which is in Deposit in the Bank of England?

Yes.

3643. So that it is only requiring the Bank to pay out that which belongs to them, or which they have received from their Customers?

Yes; and which the Bank of England receives without paying any Interest upon it.

3644. And makes use of it while it has it?

Yes.

3645. The Restriction in the Act of 1845 forcing you to hold a Quantity of Gold was to avoid Pressure upon the Bank of England; but you do not consider that there has been any such Pressure upon the Bank of England for Gold for Scotland?

Not directly for Gold. We cannot tell whether Transactions may end in Gold, but our Demands upon the Bank of England have not been in Gold.

3646. There have not been Demands for Gold to go to Scotland?

Not of any Importance.

3647. Has there never been an Over-issue, in your Judgment, by Scotch Banks when they were not under a Restriction?

Not that I know of; I do not think it is possible so long as the Notes are convertible.

The Witness is directed to withdraw.

Ordered, That this Committee be adjourned till To-morrow, Three o'Clock.

Die Martis, 23° Maii 1848.

The LORD PRIVY SEAL in the Chair.

Evidence on the Commercial Distress.

J. Kinnear, Esq.

23d May 1848.

JOHN KINNEAR Esquire is called in, and examined as follows:

3648. You are a Merchant in Glasgow?
I am.

3649. Are you Secretary to the Glasgow Chamber of Commerce?
I am.

3650. Are you considerably engaged in Commerce yourself?
I am.

3651. Have you also turned your Attention very much to the Subject of the Currency?
I have.

3652. What do you consider to have been the principal Causes of the Commercial Distress of 1847?
The principal Causes, I think, were the Scarcity and consequent extraordinary Importations of Grain; also the Diversion of a large Portion of the Floating Capital of the Country to Investments in Railways; perhaps, to a smaller Extent, the Scarcity and high Price of Cotton Wool, and one or two other raw Materials, and certainly in part afterwards the vicious Speculations that took place in Railway Shares.

3653. Do you consider that the Distress was aggravated by the Two Acts of 1844 and 1845?
Yes. I think that the Operation of the Act of 1844 was to increase the Difficulties, and to aggravate the Distress that existed.

3654. Commercial Distress in England must of necessity communicate itself to Scotland?
Yes. I do not see that the Trade of Scotland can be considered separate or distinct from the general Commerce of the United Kingdom, of which it is a Part.

3655. In what Manner do you think that the Act of 1844 affected the general Commerce of the Country?
Indirectly, certainly. The Bank of England, in the Month of April 1847, was placed in a Position of great Difficulty, from which it could only be extricated by a sudden and violent Action on Credit, which paralyzed all commercial Operations at the Time, and which I think was rendered necessary only by the Act of 1844.

3656. Are you speaking of April 1847?
April 1847.

3657. And October likewise?
And October likewise.

3658. How was the Trade of Scotland in particular affected by the Act of 1844?
I do not think that the Trade of Scotland was affected in any peculiar Way by the Act of 1844.

3659. Only generally?
Only generally.

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3660. Was the Pressure for Money, and the Difficulty of obtaining it, as severely felt in Scotland as in England?

I do not think it was. Not so severely felt by the mercantile Community; it may have been felt by the Banks.

3661. How do you account for that?

From the different System of Banking; from the Connexion that subsists between the Banks in Scotland and their own Customers.

3662. Were the Variations in the Rate of Interest in Scotland greater after the passing of the Act of 1845 than they ever were before?

Yes, they were, but not owing to the Act of 1845. They arose from the Causes which occasioned a great Variation in the Rate of Interest in England also. The Variations in the Rate of Interest were much less in Scotland than in England during 1847.

3663. Will you state what you consider to have been the Causes of the great Variations in the Rate of Interest in Scotland in 1847?

The same causes which led to commercial Distress, of course, occasioned great Variations in the Rate of Interest.

3664. You were understood to state that the Variations in the Rate of Interest since the Year 1845 have been greater than any before 1845, although there were Occasions before 1845 when Causes similar to those of last Year had existed for producing a Derangement in the Rate of Interest?

In England the Variations in the Rate of Interest were more frequent during 1847, I think, than at any previous Period. They were much less in Scotland than in England.

3665. Were they greater in Scotland than they had been at any previous Period.

The Rate of Interest was higher than it had ever been before. But I do not think that the Variations during that One Year were greater.

3666. Do you ascribe the Variations in the Rate of Interest in Scotland to the Operation of the Act of 1844?

I ascribe them to the State of the Money Market in London at the time.

3667. The Fluctuations in Scotland you ascribe to the Effect of the Fluctuations in England?

Partly.

3668. Do you consider the Prosperity of Scotland of late Years as mainly attributable to the Excellence of its Banking System?

Unquestionably I do.

3669. Is there universal and complete Confidence in the Security of the Banks and in the Convertibility of Notes on the Part of the People of Scotland?

I should say perfect Confidence.

3670. Do you consider that that is owing to the great Wealth of the Banks and to the unlimited Responsibility of the Partners?

I think that the public Confidence in Joint Stock Banks rests entirely upon the Knowledge of the Facts that the Banks have large Capitals paid up, and that the Partners are responsible for the whole Obligations of the Bank to the whole Extent of their private Fortunes.

3671. Do the People of Scotland consider the Security of the Banks to have been increased by the Act of 1845?

I think not at all.

3672. Do you yourself think it increased?

No, I do not.

3673. Do you think that the restrictive Part of the Act of 1845 has been of the slightest Advantage?

I am not aware of any Advantage that has arisen from it.

3674. Would a material Interference with the System of Banking be very prejudicial in Scotland?

I think it would.

3675. Do

3675. Do you think that the Withdrawal of the small Notes would be subversive of the Prosperity of Scotland?
Unquestionably.

3676. What Amount of Gold do you imagine that the Eighteen Banks in Scotland held previously to the passing of the Act of 1845?
I cannot answer that Question directly, but I should say that it must have been a very small Sum,—Two or three hundred thousand Pounds.

3677. Have you any idea what Increase of that Amount of Gold there has been since the passing of that Act?
About Eight or Nine hundred thousand Pounds.

3678. Has this any Effect in increasing the Stability of the Banks?
It is a Matter of Opinion. I do not think it has; and I do not think it is generally supposed in Scotland that it has.

3679. Do you suppose that it is just a Withdrawal of so much of the Capital of Scotland which would otherwise be more usefully employed?
Yes.

3680. Which is perfectly useless?
Quite useless.

3681. Do you think that the Bank of England has been in any way relieved by the Act of 1845 from a Demand for Gold on the Part of the Banks in Scotland?
I think not.

3682. Nor from a Liability to a Demand?
Nor from a Liability to a Demand, under certain Circumstances.

3683. Do you think that the Amount of Gold, so kept in the Banks only for the Purpose of issuing Notes if necessary upon it, in any way prevents the Banks from demanding Gold from the Bank of England when they require it for the Foreign Exchanges?
It cannot prevent the Banks in Scotland demanding Gold from the Bank of England. No Act of Parliament could prevent the Banks in Scotland demanding Gold from the Bank of England.

3684. Do the Scotch Banks keep the same Amount of convertible Property with the Bank of England that they did previously to the passing of the Act of 1845?
As I am not in the Direction of any Bank I cannot answer that Question.

3685. Do you imagine that they do?
I should think much the same.

3686. You do not think that the Act of 1845 would have any Effect in reducing the Amount?
The Banks in Scotland can obtain Gold from the Bank of England in no other Way than by holding Obligations of the Bank of England to pay, and if they hold those Obligations they can at any Time demand the Gold.

3687. In your Experience has there been any material Run for Gold upon the Banks of Scotland?
No.

3688. Have you read Mr. Horsley Palmer's Evidence in 1832?
I have.

3689. Do you remember what he states in that Evidence as to a Demand for Gold being made by the Scotch Banks upon the Bank of England?
There was a Demand for Gold upon the Bank of England to the Extent of about Two Millions at that Time, Part of which Mr. Horsley Palmer stated to have been sent to the Branch Banks of England, and Part to have been paid to Bankers in London. He was then asked whether it was in his Power to ascertain whether any Part of that Gold went to the Scotch Banks, and his Answer was "only from Conversation." The next Question I think was, "to "what Conclusion that Conversation led him," and his Answer was, that "it "would lead to the Supposition that the Sum sent was about 100,000 *l.*"

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3690. But you have no Reason to know whether that Supposition was correct or otherwise?

Except from the Evidence of Mr. Blair, the Treasurer of the Bank of Scotland, in 1841.

3691. Do you remember what Mr. Blair's Evidence was in 1841?

He states that during the Seven Years previous to that there had been no Gold brought from the Bank of England to a greater Extent, he thought, than Five or Six thousand Pounds.

3692. Do you consider that Mr. Blair's Evidence goes to refute the Supposition of Mr. Horsley Palmer?

I conceive that Mr. Blair was giving Evidence of a Fact within his own Knowledge, and that Mr. Palmer was merely stating a Conjecture.

3693. If, in point of fact, the Scotch Banks have drawn upon the Bank of England for Money, it would be only Money which they had deposited with the Bank of England?

It must have been by Deposits on the Bank Notes.

3694. In the same way as any Customer would draw upon his Banker in case he wanted Cash?

Not directly—indirectly. The Banks in Scotland must have drawn upon their Bankers in London, and they again drew from the Bank of England.

3695. You stated that in Mr. Horsley Palmer's Evidence, in 1832, he merely founded his Statement upon the Information of others with respect to the Transmission of Gold to Scotland. He says, in answer to Question 595, "Even "in the last Fortnight it is very currently stated that the Banks in Scotland "had not the Power of meeting the Demand upon them. I believe Newcastle "afforded some Assistance. Orders were also sent to Liverpool for a Supply, "and I know that a further Supply went from London." Is it therefore correct to say that he spoke from Information only?

The Evidence to which I refer is before the Committee of 1832. The Extract I have got is Question 285: "Can you state whether the Gold went to "Scotland or England, or to what particular Part, in the last Fortnight?" The Answer is, "In the last Fortnight the Bank sent down to the Branch Banks "about 400,000 *l.* They have issued to the London Bankers about 400,000 *l.* "more; and I believe the London Bankers generally paid Bank Notes, leaving "the Bank to pay the Gold for the Notes at the Bank itself. The Issues to "the Branch Banks and to the Bankers were together about 800,000 *l.*, the "Issue to the Public at the Counter of the Bank was about the same Amount, "making in the whole about 1,600,000 *l.*; and in addition, the Sum that went "out for the Dividends in April has not returned." "Was there no Demand "for the Scotch Banks that you could ascertain to be for the Scotch Banks?" The Answer is, "Only by Conversation." "What Conclusion would that "Conversation lead to?—It would lead to the Supposition that the Amount "was about 100,000 *l.*"

3696. The Question relates to the Amount. Will you turn to Question 595: "Do you think that in such a Crisis there would have been a Tendency to "general Contraction among Banks acting in competition with each other in "the Metropolis?—I think it would be precisely the Case that does appear "in Scotland; the Scotch Banks are Banks of great Credit and great Pro-"perty; but whenever a Demand arises upon them they have not the Means "of meeting it, without coming to the Bank of England; even in the last "Fortnight, it is very currently stated, that the Banks in Scotland had not the "Power of meeting the Demand upon them. I believe Newcastle afforded "some Assistance; Orders were also sent to Liverpool for a Supply; and I "know that a further Supply went from London"?

I was not aware of that.

3697. Do you know any of those Facts referred to?

I do not know particularly the Period referred to in the Evidence.

3698. It appears to have been in 1832, just before the Time when the Evidence was given. He says it was "within the last Fortnight"?

That was at the Time of the Reform Bill. I believe there was a consider-

able

able Quantity of Gold, but not a very large Quantity, brought down to Scotland; but it did not remain there above a Week or Two; it was not required.

3699. You alluded to the Evidence given by Mr. Blair in 1841. Have you made an Extract of that as well as of Mr. Palmer's Evidence?

I have.

3700. Will you read it?

He is asked, "During the Run for Gold in the Month of May 1832 were "you called upon to make any large Payments in Gold?" The Answer is, "I cannot reply to that Question, as I was not connected with the Bank of "Scotland at that Time." (But Mr. Blair was then, and had been for some Years, Manager of another chartered Bank.) "But my Impression is, that "the Banks of Scotland were not called upon to make Payments in Gold to "any Extent." "During any Pressure which has occurred since that Period, or "during an unfavourable Exchange, have the Scotch Banks to your Knowledge "been called upon to make any large Payments in Gold?—They have not. "The Scotch Banks during the last Seven Years, upon one Occasion in parti-"cular, sent up a large Sum of Gold to the Branch of the Bank of England at "Manchester; I cannot exactly state what the Sum was, but it was very con-"siderable. I think, during that Period, a very small Sum indeed has been "brought down. I should scarcely think it was more than Five or Six thousand "Pounds."

3701. Supposing the Fact to have been, as Mr. Horsley Palmer states in his Evidence in 1832, that a Sum of Money was applied for at the Bank of England by the Scotch Banks, and was brought from England to Scotland, would it make any Difference to the Bank of England whether that Specie, when it arrived in Scotland, was actually called for by the holders of Scotch Notes, or whether it was merely used for the Occasion to support the Banks, and then returned to England without being issued?

I should think that in either Case it would return to London in a very short Time.

3702. It would make no Difference to the Bank of England whether it was actually used for Issue in Scotland, or whether it was merely called for, for the Emergency, and returned by the Banks?

It might make a Difference in certain Circumstances. If there was no Demand upon the Scotch Banks for the Gold it would be returned in a short Time; if it was paid out by the Scotch Banks, Circumstances might lead to its being hoarded in Scotland.

3703. The Demand upon the Bank of England, in the first instance, would be the same in either Case?

It would.

3704. Therefore, if a Demand of that Kind from the Banks in Scotland came upon the Bank of England at a Moment of great Pressure, the Effect upon the Bank of England would be the same, although the Scotch Banks might not ultimately find it necessary to use that Specie for actual Issue?

Quite the same.

3705. Does the Act of 1845 make any Difference in those Circumstances?

I do not think it does.

3706. Do you really think that it makes no Difference in those Circumstances?

It makes very little Difference.

3707. Supposing a Bank retained before the Act of 1845 One Eighth of its Issues in Specie, and that since the Act of 1845 it has been obliged to retain a Sixth of its Issues in Specie, would not that Bank be better able to meet the Demands upon it for the Payment of its Notes than when it had only an Eighth of its Issues in Specie?

I think that if any Bank in Scotland were in such a Position in public Opinion as to lead to a Run upon it for the Payment of its Notes in Gold, the Demand would be far greater through its Deposits. There is not a Bank in Scotland at this Moment that holds sufficient Gold, nor do the whole of the Banks together hold sufficient Gold, to meet a Run of that Kind.

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3708. Would the Deposits necessarily be payable in Gold?
The Deposits are payable on Demand, and if they are paid in Notes the Notes may be handed over to demand Gold.

3709. If you suppose that a Case of Panic can occur, would not a Bank retaining in its Possession a Sixth or a fourth of its Issues in Treasure be better able to meet such an Emergency than one that had only a Seventh to a Tenth of Specie, as we have understood that the Banks had before the Act of 1845?
Certainly a Bank having Liabilities to pay of Five or Six Millions on Demand would in one Sense be better able to pay them with 100,000 *l.* of Gold than with 50,000 *l.* of Gold; but, practically, I think the Difference would be very little.

3710. How is a Bank to meet its Liabilities from Issue but by having a large Amount of Treasure? What is the Course that a Bank, either in England or in Scotland, usually takes when a Demand is made upon it for the Payment of its Notes?
I can hardly answer that Question directly, because such a Thing is almost unknown in Scotland. There have been Cases of small copartnery Banks having failed, but there has been no Case of a Run upon a Joint Stock Bank that I am aware of. But I should think that the Course which a Bank would pursue would be to realize whatever Securities it held in London, and turn them into Gold.

3711. Having turned them into Gold, it would of course bring the Gold to its Establishment?
It would bring the Gold down to Scotland.

3712. And it would make use of it to support its Issues?
Undoubtedly.

3713. If it were possible that a Demand should arise, either with respect to the Issues of the Scotch Banks in general or with respect to any particular Bank in Scotland, would it not be necessary for those Banks to strengthen their Reserves in Gold by pursuing this Course?
I dare say the Banks might think so.

3714. Would it not be necessary to pursue that Course to a greater Extent if they had no Treasure, or very little Treasure, in their Possession at the Time than would be necessary if they had a considerable Amount of Treasure in their Possession?
I think so.

3715. Therefore, whatever additional Demand for Gold they might be compelled to make on London would be, so far, an additional Pressure upon the Amount of Gold held by the Bank of England?
I am not quite sure of that. A Demand for Gold in Scotland might arise from some Alarm or Panic; but the Liability to a Demand for Gold at all Times exists, and that Demand is always made on the Bank of England.

3716. The Question is confined to the Case of a Demand for Gold in order to pay the Notes of the Bank. The Demand for Gold of which you speak is a Demand for Gold for Exportation and for ordinary commercial Purposes, and that Demand is constantly going on?
Yes.

3716*a*. The Question had reference to the possible Case of an Alarm as to the Solvency of the Issuing Banks in Scotland?
In that Case of course the more Gold a Bank had the less it would bring down from London. There is no Question about that.

3717. And therefore the less would be the Demand upon those Sources in London from whence the Gold was to be derived?
At that Time.

3718. A Time of Alarm in Scotland would in all probability be a Time of Alarm in England?
Most likely.

3719. Therefore

3719. Therefore whatever increased the Demand upon the Bank of England fot Gold at that Period would be an Addition to the Difficulty of the Time?
Unquestionably.

3720. Would any Amount of Bullion held by the Scotch Banks, or obtainable by the Scotch Banks, enable them to meet such a Run as has been supposed?
It would be very difficult to answer that.

3721. Could they hold any Amount of Bullion that would be sufficient to meet such a run?
Certainly not.

3722. Would not the Effect of such a Run be an immediate Withdrawal of all the Deposits?
Yes.

3723. Must not such a Withdrawal of all the Deposits infallibly break any Bank?
The aggregate Deposits in the Banks in Scotland, I believe, are now about Thirty Millions; of course the Banks could not hold anything like that Amount of Bullion.

3724. If it had been found necessary for the Bank of England, for its Security, to hold One Third of its Liabilities in Specie, and for the Banks generally in England to hold a Proportion of about the same Amount in order to protect themselves against Emergencies, why should the Banks in Scotland be left with a very much smaller Amount, trusting to obtain a Supply of Gold when they want it, from England?
A Demand for Gold on the Bank of England must arise from totally different Causes from what can ever effect Scotland, because as London is the great Centre where the whole commercial Affairs of the World almost are settled, and the Balances of the Exchanges, and the Bank is the central Depository of all the Bullion in the Country, there must be an Amount of Bullion kept for those Purposes that is not requisite at all in the Provinces.

3725. The Question does not refer to the ordinary Operations of the Supply of Gold, but the Question refers to Emergencies, when an additional Demand arises for Gold. Why should the Scotch Banks, who under such circumstances must necessarily require an additional Amount of Gold for those Purposes, be allowed to remain with a much smaller Amount in their Hands to meet such Emergencies than is allowed to English Bankers generally?
I do not know any Reason why the Banks in Scotland should hold less Gold than Country Banks in England, or why Country Banks in England should hold any more than those in Scotland. The Bank of England, I conceive, stands upon totally different Grounds.

3726. Do not you conceive that the Power of issuing 1 *l.* Notes renders it unnecessary for Banks in Scotland to hold so much Gold?
Unquestionably. The Gold is required for Circulation in England, it is not required in Scotland for Circulation.

3727. Should you be prepared to answer the Question which has just been put to you by stating that a Bank which issues 1 *l.* Notes in addition to a higher Denomination will require a smaller Amount of Treasure to meet its Liabilities than a Bank which does not issue such Notes?
Not to meet its Liabilities. A Bank which does not issue 1 *l.* Notes requires a much larger Amount of Specie, not to meet its Liabilities, but to meet the ordinary Demands of the District for Currency.

3728. What Proportion of their Issues is deemed in Scotland to be a fair Reserve on the Part of Banks to be held in convertible Securities?
I am not aware that there is any Rule among the Banks upon that subject.

3729. It has been stated that in England One Third is the necessary Reserve on the Part of a Bank; is any such Amount requisite as One Third in the Scotch Banks?
The whole Practice of Banking is so different. The Banks in Scotland at all Times hold convertible Securities to a much larger Amount than any Banks in England do.

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3730. Will you explain the Difference?

The Practice of most of the Banks in England is to discount the Bills of their own Customers, and to re-discount those Bills immediately with the Bank or with Discount Brokers in London; and they discount again with the Proceeds of those Bills, and re-discount those Bills again; so that when a Time of great Pressure arrives they have no Funds at their Disposal to meet the Demands upon them for the ordinary Business of the District. In Scotland the Banks do not re-discount their Paper, so that in case of any Pressure, such as there was in 1847, it is less felt by the Community around them, because the Banks have Means at their Disposal to meet the Demand.

3731. Is not that a much sounder Practice of Banking than that which prevails in England?

Much sounder.

3732. Is it not dependent upon the System of Exchanges which takes place between the Banks of their respective Notes?

It is dependent entirely upon public Opinion. A Bank would lose its Character altogether if it re-discounted.

3733. Do not that Circumstance and the frequent Exchanges of Notes among the Banks constitute Two great Securities of the Scotch Banking System?

The Exchange of Notes is more a Matter of Convenience for the Banks themselves, upon the same Principle as the Clearing House in London.

3734. Do not you consider that it forms a considerable Check, by the Knowledge which it gives to the Bank of what becomes of its Issues?

I do not know that it does; it is a more regular System; but otherwise a Demand might be made upon each Bank for the Payment of its own Notes.

3735. Supposing that a Note were issued by a Bank in Glasgow, and that that Note in the course of Circulation passed away to some Distance from Glasgow,—to Stirling or to Falkirk, or anywhere else,—do you think it would generally come back so quickly to the Bank at Glasgow, as it does now through the Exchange, if that System were not pursued?

Unquestionably, I think it would. The Notes come back to the Place of Issue only through a Bank. The Banks receive each others Notes in course of Business, but do not re-issue them, and on Two Days of the Week exchange them and pay the Balance in Exchequer Bills. If it were not for that Exchange each Bank as soon as it received the Notes of a neighbouring Bank might send and demand Payment in Gold.

3736. Would they send direct to the Bank of Glasgow?

They would send to the Branch of the Bank in their Neighbourhood.

3737. When that Branch received the Note, would that Branch send it immediately to the head Office?

The Branch might re-issue it.

3738. In that Case would the Bank which originally issued the Note be aware of the Return of its Circulation so rapidly as it is now?

Certainly it would. The Return of those Notes would be perfectly known at the head Office; it could not be otherwise.

3739. Do you think that under those Circumstances the Bank, the original Issuer of the Note, would be as well aware of the precise Position of its Circulation at all Moments as it is now under the Circumstances of Exchange?

I think if the Bank of Scotland Notes which have been collected in the County of Stirling were paid by the Branch of the Bank at Stirling, instead of being sent by the other Banks to Edinburgh, the State of the Circulation would be as well known at the head Office as it is now.

3740. There would be no Difference except in the Rapidity of the Return of the Note to the Bank which originally issued it?

In one Case it would be more rapid without the Exchange, because now the Banks agree to hold each others' Notes from one Exchange Day to another. If there were no Exchange the Banks receiving the Note of the other Banks might apply for Payment of them immediately in Gold; but instead of applying every Day for all the Notes that they receive, they agree to exchange them twice a Week.

3741. How

3741. How long has that System been in operation?
I cannot exactly answer the Question, but I suppose Fifty or Sixty Years.

3742. The System of paying the Balances by Exchequer Bills has been introduced within a few Years?
About Ten or Fifteen Years.

3743. Has the Circulation of the Banks in Scotland since the passing of the Act of 1845 been in excess of what was allowed by that Act?
It has been occasionally.

3744. Have the monthly Returns generally shown that the different Banks have issued upon Gold?
I think so; but I cannot be very certain of the Amount.

3745. Is there a great Expansion of the Circulation at Two Periods of the Year in Scotland?
There is.

3746. Do you consider that the Circulation allowed by the Act of 1845 is sufficient to meet those Expansions?
Not the Amount that is allowed by the Act without issuing upon Gold.

3747. Do you consider that the Circulation allowed by the Act is insufficient?
If the Currency of the Country were limited to the Amount fixed by that Act it would be insufficient.

3748. Supposing a Bank issuing Notes in Scotland had not Branches at which they might be paid at Places some Distance from it, would it be always aware of its Amount of Circulation in those places?
A Bank must unquestionably be aware of the Amount of its own Notes which are out in Circulation.

3749. It is aware of the entire Amount issued, but it is not aware of those that are returned to other Banks?
Those are still in Circulation which are in the Hands of other Banks.

3750. Are they not generally considered by the Banks out of Circulation?
When they are held by the Bank issuing them they are not considered in Circulation, but when they are held by another Bank they are unquestionably in Circulation. Whatever Notes are issued by the Banks are considered to be in Circulation by the Bank till they come back into the Bank itself.

3751. And in any Returns that they make they count it so?
Yes.

3752. If it had been stated that the Scotch Banks count those that are in the Hands of other Bankers as not being in Circulation, because they expect to have them returned in exchange for the Notes of those Banks which hold them, you think that is not correct?
I dare say that Scotch Bankers may, in talking of the Theory of the Currency, say that the Notes were not circulating in the Hands of the Public when they were in the Hands of another Bank; but I am very much mistaken indeed if all the Banks do not return as Part of their Circulation all the Notes that are out of the Bank wherever they are.

3753. They return all the Notes that are not in their own hands, and therefore they include all that are in the Hands of other Banks?
Certainly.

3754. But they make their Return at a Period when there are none in the Hands of other Banks?
They make their Return immediately after the Exchanges; but the Difference that would make would be very trifling.

3755. All those Notes which are held by another Bank during the Interval between the Two Returns are not included; those which are in fact extinguished by the Exchange?
The Notes of the Bank of Scotland that are held by all the other Banks in Scotland between the Exchanges form Part of the Circulation of the Bank of Scotland.

3756. The Exchanges take place on the Tuesday and Friday?
Yes.

3757. The Return takes place on the Saturday Morning.
Yes.

3758. Immediately after the Exchange on the Friday there can be none of their Notes remaining in the Hands of other Banks?
The Notes in the Hands of other Banks from Tuesday to Friday—that is to say, in the Interval between the Exchange Days—must form Part of the Circulation.

3759. If they have exchanged and settled with all other Banks immediately before making the Return, can there be any Notes of theirs in the hands of any other Bank at that Moment?
There may not be at that Moment, on the opening of the Banks on Saturday Morning.

3760. Is it not evident that there can be on Saturday Morning, immediately after those Exchanges, but a very small Amount of those Notes which are returned as in Circulation in the Hands of other Banks?
There can be but a very small Amount of Notes of any Bank in Circulation in the Hands of any Bank except the Bank issuing them.

3761. That being so, do you think that a Return of the Circulation made immediately after the Exchange affords a correct View of the actual Circulation of the Country?
I should think that, for any practical Purpose, it is quite correct enough. I should think it is as nearly correct as it can be made for any practical Purpose.

3762. You have already stated that you consider the Notes in the Hands of other Banks as in Circulation?
As far as they are Liabilities of the Bank issuing them they are still in Circulation; that is to say, they may still be brought against them; but they are not actually circulating, they are not Part of the Currency of the Country.

3763. Then, do you think that, although those Notes in the Hands of other Banks constitute Part of the Liabilities of the Issuing Bank, they ought not to be included in the Return of the Circulation of the Country?
I do not think that it is important.

3764. Is not the Amount of the Liabilities of the Issuing Banks a Matter of Importance?
I do not think that the Return of the Notes of the Banks in Scotland in Circulation is a Matter of Importance at all to the Public.

3765. Supposing the Amount of the Circulation is a Matter of Importance, do not you think it is a Matter of Importance with a view to the Amount of the Liabilities of the Issuing Banks?
I cannot think it a Matter of Importance, because the whole of the Notes in Circulation is a mere Fraction of their Liabilities.

3766. Supposing it to be the Object of the Legislature to obtain the Amount of the Circulation for statistical or any other Purposes, ought not Notes which are in a Position in which they constitute one of the Liabilities of the Issuing Bank to be included in such a Return?
Not a Return made for statistical Purposes, to show what the Amount of the Currency required for the Country is.

3767. Parliament requires a Return of the Circulation, and the Question is, whether Notes which you admit form Part of the Liabilities of the Banks do not form Part of the Circulation?
I think as far as a Bank issues its Notes to the Country they are Part of its Liabilities as long as they remain out; but so far as the Circulation of the Country is concerned they are not in Circulation while they are in the hands of another Bank, because they are never to be re-issued; they are as much to be taken out of the Circulation as if they were in the Hands of the Issuing Bank.

3768. They are not applied to commercial Purposes?
Not after they are once paid to the Bank.

3769. Supposing it was the Object of the Legislature to ascertain the Amount of the Issues for which the entire Body of the Banks in Scotland were liable, would it not be necessary to include those Notes in such an Account?
Certainly.

3770. Supposing any Notes happen, between the Period of the settling and the Time of making the Return, to be in the Hands of other Banks, are not they included in the Return?
I certainly imagine that that is the Case.

3771. Must it not be so, if they deduct those Notes that they hold in their own Hands from the whole Amount of their Issue of Notes?
I should think that that is the Return.

3772. If that is the Return, must not the Notes held by other Banks, as a Matter of course, be in that Return?
Exactly.

3773. To take an extreme Case: supposing a Bank after clearing on Tuesday to make an extra Issue of 100,000*l.* of Notes, which Notes came into the Possession of another Bank on the Friday, and were consequently extinguished in the new Clearance on that Day, would those Notes which had been out from the Tuesday to the Friday appear in the Returns of the Saturday?
I will not take upon myself to answer as to the Fact; but if the Exchange took place at Twelve o'Clock on the Friday, and the Balances were settled, and one of the Banks issued 100,000*l.* that Afternoon, and made a Return on Saturday and did not include this 100,000*l.*, then I think that would not be a fair Return.

3774. Whatever they issued between the Exchange and the Return of course would be included in the Return; but the Exchange taking place on the Friday and the Return being made on the Saturday there could be but very little to be included in such a Return on the Saturday?
Practically, I believe there is a considerable Sum, because the Exchanges take place in the Middle of the Day, and from the System on which Business is conducted in Scotland the whole Transactions of the Day terminate at Four o'Clock. It is quite different from here. There is not a Shopkeeper or Tradesmen or any one in Glasgow who does not at Four o'clock pay in all the Money he has received during the Day, so that at Four o'Clock on Friday there is a pretty large Sum of Notes in the Banks again mixed up among themselves.

3775. That would only go to the Proportion of the 100,000*l.* that remained in their Hands?
Yes.

3776. Do you know what amount of Notes are generally exchanged on the settling Day?
I am not able to answer that.

3777. Supposing that, according to your recent Answers, an Amount of Notes should be issued between the Time of the settling and the making of the Return, according to your View of the Position of those Notes, would they properly constitute a Part of the Circulation so to be returned, or ought they to be excluded?
Those Notes would be included.

3778. According to your Opinion then ought Notes issued by one Bank and in the Hands of another Bank to be included in the Returns of Circulation?
They certainly should be included in the Returns of the Liabilities of the Bank that issued them; but theoretically they are not in Circulation.

3779. They are not in Circulation for the Purposes of circulating Medium, but they are Part of the Liabilities of the Bank?
Yes.

 3780. Supposing

J. Kinnear, Esq.

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3780. Supposing the Object of the Return to be, not to ascertain the Amount of Circulation in the Hands of the Public, but the Liabilities of the Banks, you think that such Notes are properly included in such a Return. Do you think that in that Case the taking the Return immediately after the Settlement gives a correct View of the Amount of the Liabilities of the Banks?
I should think that it does.

3781. Do not you think, that if you were to take an intermediate Period between the Settlements you would have a larger Amount of Liabilities standing against the Banks than you can have immediately after the Settlement? Supposing that, instead of requiring a Return to be made on the Friday after the Exchange, it was required that the Return should be made on the Thursday before the Exchange, would not the Amount of Liabilities, so returned, appear larger on the Thursday than they would on the Saturday?
The Amount of the Liability of the Bank undoubtedly must be larger before the Exchange—that is to say, before it has discharged its Liabilities—than afterwards.

3782. Are you of opinion that the Convertibility of Bank Notes is of itself a sufficient Check against any over Issue?
I think it is.

3783. Do you think that there ought to be no Legislation at all respecting Banking, except to make Bank Notes convertible?
I think that all that is necessary is to make an Obligation to pay Notes on Demand in Gold, which makes them convertible.

3784. Do you think that it is not necessary to fix the minimum Amount for which Bank Notes may be issued.
I do not.

3785. Do you think there would be no harm in allowing Bank Notes for any Amount, however small?
I never considered the Question of Notes being under Twenty Shillings. In Scotland there were at one Time Five Shilling Notes. I think it is very undesirable that there should be.

3786. What inconvenience arises from Bank Notes of a small Value being issued?
I have not very seriously considered that Question. I should think in one respect there would be great Convenience in the Economy of Specie.

3787. Do you think that Silver should be economized, as Gold in your Opinion ought to be economised, by the Issue of Bank Notes of very small and minute Value.
I never considered that Question. At first Sight now I should say that it is not desirable or expedient.

3788. Would not the expediency or inexpediency of it very much depend upon the Information and intelligence of the Population in general?
Unquestionably. But Notes of very small Amount might be issued by Banks without any large Capital, without much Stability, and get into Circulation.

3789. In your Opinion, as a Gentleman of great Experience and Intelligence upon this Subject, do you think there ought to be an Act of Parliament limiting the smallest Value for which Bank Notes may be issued?
I am not prepared to answer that Question.

3790. Do you think that, whether with or without such an Act, there would be Notes to a lower Amount issued? Do you think that Banks would take the Responsibility of issuing Notes under 20 *s.*?
I think not.

3791. From the Expense of the Stamp upon the Renewal of the Note, it would not answer their Purpose?
I do not think it would.

3792. Are you of opinion that 20 *s.* Notes might be issued in England without any Inconvenience?
In my Opinion they might.

3793. Do not you think that, from the imperfect Action which there would be in the Exchange of those Notes from not having so many Banks in England as in Scotland, it would tend to produce an over Issue of Notes?
I do not think so.

3794. Would the Check of the Exchanges operate as effectually iu England as it does in Scotland?
I do not know any Reason why a System which has been so long pursued in Scotland might not be adopted in England.

3795. Is not it possible that that which applies to a comparatively small Country might not operate advantageously in a much larger Country?
The System might not be exactly the same. There might be one Exchange in Yorkshire and another in Lancashire, and the ultimate settling in London.

3796. You are for 20 *s.* Notes all over Great Britain?
Yes.

3797. With some proper Security beyond the Security of private Banks?
Unquestionably. Joint Stock Banks of unlimited Liability.

3798. Would you go lower than 20 *s.*
No, I would not.

3799. Except for the Purpose of every Day Transactions, is Gold required anywhere but in London for the Purposes of Foreign Exchanges?
It is certainly required in other Places for the Purposes of Foreign Exchanges. It is required in Glasgow, for instance; that is to say, Transactions may originate in Glasgow occasionally which may require an Export of Gold: but we do not get it from the Glasgow Bank, we send to London for it.

3800. So that the Act of 1845, which was passed for the Purpose of relieving London or the Bank of England from a Demand for Gold on the Part of the Scotch Banks, has not had that Effect?
In case of a Demand upon the Banks of Scotland for Gold in Payment of their own Notes, arising from any Want of Confidence, then the Bank of England certainly is relieved from that Demand to the Extent of the Gold held in Scotland just now.

3801. Is not it likewise relieved from the Care of that Quantity of Gold in the meantime, which it uses to its own advantage?
It costs the Bank nothing to keep the Gold. The Bank of England pays no interest for the Gold deposited with it.

3802. And it makes Interest of it?
Yes.

3803. At the same Time the Scotch Banks derive no profit from the Gold?
They derive no profit from it of course.

3804. Considering the Stability of the Scotch Banks, was it necessary that they should be forced to keep an extra Amount of Gold to answer their Notes?
I do not think it was.

3805. You state that when you want Gold to send abroad you do not get it from the Glasgow Bank, but from the Bank of England; why do not you get it from the Glasgow Bank?
Because, in place of my going to the Expense and Cost of sending Sovereigns from Glasgow to London, to be forwarded to their ultimate Destination, I get from the Glasgow Bank a Letter of Credit on a London Banker, which I send to my agent in London, desiring him to send the Sovereigns, and forward them according to my instructions.

3806. The Gold is not forwarded from Glasgow, but from London?
Yes.

3307. That was the Case before the passing of the Act of 1845?
Yes.

3808. And it is still the Case?
Yes.

3809. So that to that Extent the Bank of England has not been relieved of the Demand for Gold?
No.

3810. But to whatever Extent a Demand might arise out of Panic for the Payment of the Notes of the Issuing Banks in Scotland the Bank of England would be relieved in a Moment of Pressure by the Gold now held by the Scotch Banks?
To the Extent of the Gold held by the Scotch Banks.

3811. Are you aware what the Amount of the Reserves in Gold held by the Banks in Scotland was before the Year 1845?
I do not know, but I think it must have been a very small Sum.

3812. Should you say that it was correct to represent it, as the Committee have heard, as from a Seventh to a Tenth of their Issues?
It is stated that the additional Sum now held is Eight or Nine hundred thousand Pounds, and that the whole Sum is about a Million, so that it was before about Two or Three hundred thousand Pounds.

3813. Mr. Blair, in his Examination in 1841, is asked, "Can you state what "Proportion the Gold and Bank of England Notes which you hold bear to "your Circulation?" That is of the Bank of Scotland. His Answer is, "If "you take the Gold and Bank of England Notes alone, I should say it would be "a Fourth; including the other Items which I have named, it would be about "a Third." He is afterwards asked, "Do you conceive the Bank of England "Notes and Gold that you hold as being held partly against Deposits as well "as against Circulation?" He answers, "We have never made any Distinc-"tion; but in point of fact we consider that it is a fit Thing for a Bank to hold "a Sum of that Description in reserve." Do you agree in that Opinion expressed by Mr. Blair?
I think it is a fit Thing that a Bank should hold a Reserve in Securities that can be immediately or rapidly converted into Money.

3814. The Question refers to Bank of England Notes and Gold?
Then I do not agree with Mr. Blair that it can be any Difference to me whether I hold Bank of England Notes in my own Possession or have a Balance to the Credit of my Account with a London Banker.

3815. It constitutes a Difference with respect to the immediate Use of the Reserves in Scotland, does not it?
The Difference is just the Time of the Post going from Edinburgh to London and back again?

3816. If there were a great Pressure in London at the Time it would of course be increased by an additional Demand coming from Scotland?
I do not understand what Distinction there is between a Demand from Scotland on the Bank of England for Gold and a Demand from Yorkshire or Lancashire.

3817. Do you agree in the Opinion of Mr. Blair, who says, "that the "Amount of Bank Notes and Gold kept in the Bank of Scotland was about "One Third or One Fourth of the Liabilities," and who afterwards states, "that he thinks a Bank ought not to retain a smaller Amount than that of "such Resources"?
I really do not think it important. I know Mr. Blair thinks so; but I do not see any Principle upon which a Third or a Fourth should be the Amount to be kept any more than a Fifth or a Seventh.

3818. It must depend upon the Demand?
It must depend upon the Object for which it is kept.

3819. You do not agree with Mr. Blair?
I do not agree with Mr. Blair.

3820. Is it your Opinion that a Bank may issue in Scotland without retaining in its Possession in precious Metals so large an Amount as One Fourth of its Liabilities?
No, I do not give that Opinion; but I do not agree with Mr. Blair in fixing a Third

a Third or a Fourth or any Proportion as that which a Bank ought to hold, because it depends a good deal upon the Circumstances in which the Bank is placed, the Nature of the Trade of the District in which it is situated, and the Probability of the Demands that may be made upon it, upon which the Banker can be the Judge alone from practical Experience.

3821. Unless he had some other Source to which he could look with great Certainty, do you think it would be prudent in a Banker to keep his Reserve in Specie lower that One Fourth?
I only repeat what I said, that I do not see that a Fourth or a Fifth or a Sixth or any particular proportion can be fixed, because it depends altogether upon the District in which the Bank is placed.

3822. You think it may be a fluctuating Proportion?
Yes.

3823. For instance, supposing a Bank which is used to meet the Demands of a Contractor who is employing a large number of Irish Labourers; do not Irish Labourers very often transmit Gold to Ireland?
Yes.

3824. In that Case that Banker would require to keep more Gold than would be necessary for one who knew that his Circulation did not go out of the Country?
I should think so.

3825. Do not you understand the Answers of Mr. Blair to apply to an ordinary average State of Circumstances?
I know that is Mr. Blair's Opinion.

3826. You do not understand Mr. Blair's Answers to apply to such a State of Circumstances as that described in the last Question but one?
No. I understand Mr. Blair's Opinion to be, that every Bank, whatever its Situation and Circumstances may be, ought to have that Proportion.

3827. Is it the Case that in Scotland Persons coming to draw out Money would take Notes, and refuse Gold?
Yes.

3828. Therefore, if Parties coming to the Banks are unwilling to draw out the Gold, the Gold will be in their Coffers, producing no Interest?
Certainly.

3829. Taking the average Circumstances of the Banks throughout Scotland, can you give an Opinion as to the Amount of Gold that it would be right for them to hold in proportion to the Circulation?
If I were Manager of a Joint Stock Bank at Glasgow, supposing this Act of 1845 not to have been passed, I would not think it necessary to keep more than Twenty or Thirty thousand Sovereigns in my Possession, whatever the Amount of the Circulation of the Bank might be, because, knowing the Objects for which a Demand for Gold was likely to come, I should know that it would never come to any thing like that Amount in ordinary Times.

3830. Therefore there would be no Use in your keeping in your Coffers an Article for which there was no Demand?
No.

3831. Therefore you would keep no Gold whatever except what was wanted for ordinary Purposes?
I would keep some. When I say Twenty or Thirty thousand Sovereigns, I know that it would be a very extreme Case indeed in which any Run could take place to such an Extent as would not enable me to get a Supply before what I had was expended.

3832. And whenever unusual Pressure came you would necessarily look to a very large Supply from London?
An unusual Pressure on the Money Market occasions no Demand for Gold in Scotland.

J. Kinnear, Esq.

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3833. The Question refers to such a Pressure as causes Apprehension with respect to the Payment of the Note?

I think that no Bank which had lost public Confidence to such an Extent that there was a Run upon it for the Payment of its Notes for Gold could be kept up by any Supply of Gold whatever that it might derive from London, because it would have perhaps Three or Four Millions of Deposits payable on Demand, by which the Gold would be drawn out in an Hour or Two before the Tithe of the Notes were brought in.

3834. You consider that the Banks in Scotland being required by the Act of 1845 to keep about 900,000 *l.* of Gold beyond what they would otherwise keep is a dead Loss to the Banks?

I think it is a dead loss to the Banks; but it is a small Amount; I do not think it is important either to the Banks or to the Public.

3835. But as far as it goes it is a dead Loss?

Yes.

3836. You consider that it is a Subtraction of that Amount from the Capital of Scotland?

Yes.

The Witness is directed to withdraw.

Ordered, That this Committee be adjourned to Monday next, Two o'Clock.

Die Lunæ, 29° Maii 1848.

The LORD PRESIDENT in the Chair.

Evidence on the Commercial Distress.

A. Alison, Esq.

29th May 1848.

ARCHIBALD ALISON, Esquire, is called in, and examined as follows:

3837. You are Sheriff of the County of Lanark?
I am Sheriff of the County of Lanark.

3838. How long have you resided in that District in that Capacity?
I have been Sheriff and resided in the Neighbourhood of Glasgow Thirteen Years.

3839. Do your official Duties bring you in contact with Bankruptcies?
They bring me in contact both with Bankruptcies and also with all the Suits, both civil and criminal, that originate in civil Transactions, Crimes, or public Distress, every day of my Life.

3840. You have both civil and criminal Jurisdiction?
Both civil and criminal Jurisdiction.

3841. Has there been any considerable Increase of Bankruptcies and civil Suits and criminal Cases in that County of late Years, and especially since the passing of the Acts of 1844 and 1845?
There has been a great Increase in all those Departments. I thought it worth while to obtain from my own Office Returns showing the Increase since the Year 1840, and from these it appears that the Increase of Bankruptcies in Glasgow which have been awarded and conducted before the Sheriff of Lanarkshire has been as follows:—In the Year 1840 they were 85; in 1847, 252; in the Year 1844 they were only 67. Then with respect to the civil Suits,—that is, Actions of Debt, exactly the same Description of Actions that come before the Nisi Prius Courts in England,—the Number of Suits in the Year 1840 was 1,176, in the Year 1844, 984, and in the Year 1847, 1,500; of summary Suits,—that is, Suits rather of the Nature of Bankruptcies or urgent Cases, such as Interdicts or the like, where immediate Despatch is required,—the Numbers were 859 in 1840, in 1844, 1,320, and in 1847, 1,998; and of Small Debt Cases,—that is, civil Actions upon Debts under 8 *l.* 6 *s.* 8 *d.*,—the Numbers in 1840 were 11,816, in 1844, 11,420, and in 1847, 19,941. Of criminal Cases the Number of Persons committed for serious Offences for Trial in the County of Lanark in the Year 1840 were 527, in 1844, 654, and in 1847, 796. The Number of Persons tried by the Justiciary Judges and the Sheriff with a Jury (the Sheriff with a Jury corresponding to the Quarter Sessions in England) in 1840 was 310, in 1844, 407, and in 1847, 574. During those Years the Increase of Population was from 275,462 in 1840 to 344,200 in 1847. I will hand in this Table.

The same was delivered in, and is as follows:

A. Alison, Esq.

29th May 1848.

TABLE showing the NUMBER of ORDINARY and SUMMARY CIVIL ACTIONS or SUITS instituted in the SHERIFF COURT at GLASGOW; the NUMBER of CAUSES brought in the SHERIFF SMALL DEBT COURT at Glasgow, for Sums below 8 *l.* 6 *s.* 8 *d.*: the NUMBER of BANKRUPTCIES in Glasgow, awarded under the Scotch Bankrupt Act, 1 & 2 Vict. c. 41; the NUMBER of PERSONS COMMITTED FOR TRIAL for SERIOUS OFFENCES in Lanarkshire; the NUMBER of PERSONS TRIED before the JUSTICIARY COURT in the CIRCUIT COURT at GLASGOW, and the NUMBER TRIED before the SHERIFF and a Jury in Lanarkshire respectively; in each Year from 1st January 1840 to 1st May 1848.

Years.	Number of Ordinary and Summary Actions in the Sheriff Court at Glasgow.			Number of Cases brought in Sheriff Small Debt Court below 8*l.* 6*s.* 8*d.*	Sequestrations in Glasgow under the Scotch Bankrupt Court.	Gross Number of Civil Causes and Bankruptcies in Sheriff Court.	Number of Persons committed for Trial for serious Offences in Lanarkshire.	Number of Persons tried before the Circuit Court at Glasgow.	Number tried before Sheriff and a Jury in County of Lanark.	Total Persons tried before the Circuit Court and Sheriff with a Jury.	Population of City of Glasgow within Parliamentary Limits.
	Ordinary.	Summary.	Total.								
1840	1,176	859	2,035	11,816	85	14,795	527	189	121	310	275,462
1841	1,211	997	2,208	9,871	124	12,203	513	277	130	407	282,134
1842	1,190	1,072	2,262	11,102	148	13,511	696	339	187	526	291,600
1843	1,038	1,169	2,207	10,301	103	12,611	650	255	194	449	301,000
1844	984	1,320	2,304	11,420	67	13,791	654	256	151	407	311,600
1845	1,023	1,387	2,410	12,539	64	15,013	585	208	179	387	322,100
1846	1,336	1,592	2,928	15,617	125	18,660	743	322	204	526	333,000
1847	1,500	1,998	3,498	19,941	252	23,691	796	329	245	574	344,200
1848 First Four Months.	661	712	1,373	6,324	97	7,794	No Return.	156	114	270	—

A. ALISON, Sheriff of Lanarkshire.

3842. Have you observed any considerable Increase in the Rate of Mortality in Glasgow and in the Amount of the annual Assessment for the Poor?

The Return I have previously given in was made up in my own Office from Matters which fell under my own Cognizance judicially. But with regard to this Subject, I have made Inquiries in the proper Quarters, and got Returns for the same Number of Years, which are very curious. The Number of Deaths in Glasgow within the Parliamentary City in 1840 was 8,648; in 1844, 8,092; and in 1847, 18,886: the Rate of Mortality to the existing Population being in the first Year, 1840, 31·6; in 1844, 38·5; and in 1847, 18·2. The Amount of the Sums raised for the Support of the Poor in 1840 in the Parish of Glasgow, which embraces about Half of the Parliamentary City, was 9,454 *l.*; in 1844, 28,070 *l.*; and in 1847, 50,000 *l.* This Table I will also deliver in.

The same was delivered in, and is as follows:

TABLE showing the POPULATION of the CITY of GLASGOW within the Parliamentary Limits; the NUMBER of DEATHS in the same Limits: the PROPORTION of these to the POPULATION; the SUMS levied by ASSESSMENT for SUPPORT of the POOR in the City Parish of Glasgow, being about One Half of the Parliamentary City; the AMOUNT of CUSTOM HOUSE DUTIES paid at the Harbour of Glasgow; the Amount of HARBOUR and OTHER DUES and REVENUE of the CLYDE TRUSTEES, in each Year from 1840 to 1847, both inclusive.

Years.	Population.	Death.	Rate of Deaths to Population.	Amount levied for Support of Poor in Parish of Glasgow, One Half of City.			Customs Duties collected at Glasgow.			Revenue of the River Clyde Trustees.		
				£.	*s.*	*d.*	£.	*s.*	*d.*	£.	*s.*	*d.*
1840	275,462	8,648	31·6	9,454	0	0	472,563	0	0	46,651	9	4
1841	282,134	9,605	29·3	16,709	4	6	526,100	0	0	50,666	19	2
1842	291,600	8,019	36·3	19,380	0	0	503,871	0	0	40,678	16	8
1843	301,000	10,360	29·0	22,708	0	0	497,728	0	0	43,301	2	0
1844	311,600	8,092	38·5	28,070	0	0	551,851	0	0	41,286	18	8
1845	322,100	8,259	39·0	24,009	6	0	589,527	0	0	45,868	10	11
1846	333,000	11,636	28·6	48,000	0	0	634,305	0	0	51,198	12	2
1847	344,200	18,886	18·2	50,000	0	0	659,834	0	0	59,017	2	9

3843. What was the Number of Poor buried in Glasgow during the last Year at the public Expense?

There were upwards of 7,000.

3844. Have you observed that a Rise in the Rate of Discount of the Bank of England is generally very shortly followed by an Increase in the Amount of Crime and of Illness?

I have observed during the whole Time I have been in Lanarkshire that any Rise in the Rate of Discount of the Bank of England has been immediately, or at least shortly, followed by an Increase both of Crime and of civil Suits, and if it continues long of Mortality and Typhus Fever. So much so, that, as I am an Official Member of the Prison Board and of most of the Charities, I have always made it a Rule to say to the Gentlemen of those Boards when a Rise in the Rate of Discounts takes place, "Gentlemen, the "Bank of England have raised their Discounts; you had better immediately "take Measures for enlarging the Prison Accommodation, and for extending "the Infirmaries and Poor Houses;" and they have since admitted to me that my Prognostications were too well founded, for we have been obliged to make a proportionate Increase a Year or Two after the Bank of England have raised the Rates of Discount.

3845. To what Causes do you attribute this great Increase in Bankruptcy, Crime, and Pauperism?

I think that it is owing to Two Causes. In the first place, to a great Increase of the Transactions of the Country, which originate in the Circulation being much and often unduly stimulated; and which is then followed by a sudden Contraction of the Currency, which disables Persons for the Performance of Obligations which have been entered into. Thus, the one State of Things produces a Multiplication of Contracts, and the other produces a Disability for the Fulfilment of them. That throws People out of Employment, and reduces them to a State of Want, and makes such a Number of People idle that Crime increases, and Disease augments, and every thing goes wrong together.

3846. Do you think that Railway Speculation had much Effect in bringing on the Distress?

I think the Railway Speculation at the Time it went on had a great Effect, both in diminishing Crime and Disease, and every thing else indicating Distress, so long as the Labour was continued and Employment was full; but when the Railway Speculation was checked by the Currency being contracted, it became sion to the last Degree disastrous.

3847. Have you seen and examined officially the Result of the Railway Mania of 1835 and 1836, followed by the Commercial Distress of 1839 and 1841, as well as those of the Railway Mania of 1845, followed by the Depression of 1847.

I came to Glasgow in the End of 1834, consequently I had the Bankruptcy Examinations from that Time forward conducted before me, and I saw therefore the great Railway Mania of 1835 and 1836, and I saw the whole of the Distress consequent upon it in the Years 1838, 1839, 1840, and 1841; and I have also seen the Distress consequent upon the last Mania. But I should say that the Mania of 1845 was at least twice as great as the Mania of 1835, and that the Distress consequent upon it has been fully Three or Four Times as great upon its Cessation.

3848. Have you computed what Amount of Capital at Glasgow has been lost during the Distress of 1847?

I should think, from what I have seen myself, and from Calculation of the Amount of Bankruptcies that have come before me, and from the Opinion of practical People whom I have repeatedly spoken to upon the Subject, that at least Half of the realized Capital of Glasgow has perished in the last Two years. I do not mean by that that Property has been depreciated to that Amount, but I mean that Half the realized Capital has disappeared.

3849. Has the Distress during that Time been as great amongst the Merchants and Shopkeepers as amongst the Labouring Classes?

I should think that in proportion to their Station in Life it has been much

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much greater; and I cannot give a more striking Example of that, than the Fact that the Occasion of the late Distress was the first during the Memory of Man when there has been no public Subscription for the Relief of the Poor. I have repeatedly spoken to the Magistrates and to People in Glasgow about it, but they have always said, that such was the Distress of the Merchants and Manufacturers that it would produce little, and that it would shake the Credit of the Merchants to see how little they could afford to put down; and accordingly all that has been done has been to take advantage of the Residue of a former Fund, and to add to it such private Subscriptions as could be obtained.

3850. Have you made a Computation of the Number of Persons unemployed, including those dependent upon them for support?

I was One of a Deputation about Six Weeks ago which was sent up to wait upon the Home Secretary, with the view, if possible, to obtain a Grant of Exchequer Bills to facilitate the setting a-going the Railways in the Neighbourhood of Glasgow, as the best means of rendering available the Capital sunk in those Works, and also to give Employment to the working People out of Employment. On that Occasion, in order to obtain Facts to lay before the Government, the Magistrates, with my Concurrence, sent round Circulars to the principal manufacturing Establishments in Glasgow, requesting them to state, first, the Number of Persons in their Employment on the 1st of September 1847, before the serious Crash began; secondly, to state the Number of Persons in their Employment, of the same Description, on the 12th of April 1848; the Number fully employed, the Number only half employed, and the Number they had dismissed The Results were as follows:—The Number of Persons in full Employment were 32,728 on 12th April 1848,—the Number of Persons fully employed previously to the 31st of October 1847 having been 51,871,—and the Number on 12th April 1848 partially employed was 7,634, and the Number wholly unemployed 11,509. I do not think it would be fair to take as the Average of those dependent upon this Class of Labourers more than Two to each, because there are such a Number of young Women employed among them. Two and a Half is the usal Computation, but I should take these at Two; therefore, the 11,509 out of Employment would give 23,018 dependent upon them, making altogether 34,527 Persons connected with those great Manufactories. I will put in a Table of the Returns got from the different Houses. It embraced, however, only the principal Establishments, because there were no Means of getting at the detached Labourers; but we sent round to different Railways to know what Number of Persons they had dismissed since the 1st of October 1847, and what Number they were prepared to take on in the event of their getting Assistance; and the Return they gave was, that they had dismissed 14,000 Labourers since the 1st of October 1847, and that they were ready, if they got Assistance from the Government, to take on 39,000, and to give them Employment for Nine Months or a Year. Now the Number of Persons dependent on those 14,000 Railway Labourers you may safely take at an average of Two and a Half a Head; therefore the 14,000 would correspond to 35,000 Dependants, making together 49,000, which, with the 34,000 in the City, would make 83,000 Persons out of Employment in Glasgow and the Neighbourhood. But, in addition to that, there is a constant Influx of Irish and a Number of ordinary Labourers, and Persons of whom no Return could be got, from their not belonging to any particular Establishment, and this Number may be taken at Fifteen or Sixteen thousand; so that, including Dependants, at least 100,000 Persons in Glasgow are out of Employment. I know that that is the Opinion of many practical People, and they think that that Number is considerably within the Truth.

3851. Are those 14,000 Railway Labourers to whom you allude Labourers who live at Glasgow, or in the immediate Vicinity of the City?

They do not all live in Glasgow, but they have all been working at Railways in the Neighbourhood of Glasgow, or leading to it, and when they were dismissed from the Railways they almost all came into Glasgow, as the principal Town in the Neighbourhood, in the Hope of getting Work, and they just hang about there doing nothing, begging, and sometimes committing Crime.

3852. Do you mean to say that there were 14,000 Labourers employed upon the Railways not completed in the immediate Vicinity of Glasgow?

Not in the immediate Vicinity of Glasgow, but they are all Railways terminating

nating in Glasgow, and the Labourers when they were dismissed for the most part came to Glasgow as the great Mart of Labour.

3853. Are the Labourers Scotch or Irish Labourers?

A considerable Proportion are Irish. The Number of Irish who come to Glasgow is very large. In the first Nine Months of 1847 the Number of Irish Labourers who landed at the Bromielaw were 49,991, and that Number has increased since that Time, for in the Four Months and Ten Days terminating on the 10th of May last the Number of Irish who had landed at the Harbour of Glasgow was 42,284, being at the Rate of about 100,000 a Year.

3854. That is much above the usual Average?

Certainly.

3855. Are they included in your Estimate of the Population of Glasgow.

The Estimate of the Population does not bear reference to those Irish. The Estimate of the Population is taken on the Supposition that the Population now increases as fast, and no faster, than it did from 1831 to 1841.

3856. Has the Estimate of the Population taken into Account the extra Emigration this Year?

Certainly not.

3857. Do you consider that the greater Part of the Proportion of those Irish Labourers return after a short Period to Ireland?

The greater Part of the Irish Labourers who come over for the Harvest—Nine Tenths of them perhaps—return, but of those that come over looking for Railway Labour hardly any return.

3858. They are absorbed in the Population of the Neighbourhood?

They live about, no Mortal can tell how, when the Railways are not going on.

3859. Do the Irish form the Bulk of the Deaths?

I think a large Part of the Increase in the Mortality has been among the Irish.

3860. You gave a Comparison of the Number of Deaths, and Crimes, and Committals in proportion to the Population at different Periods. Did you take the Population as it actually existed in 1847?

No; the Population is taken upon an Estimate. We have no authentic Means of knowing the Population since 1841, but the Population is taken upon an Estimate that the Increase is the same as it was before 1841.

3861. So that the Population was probably beyond the Amount which that Estimate would have made it?

I should think it was Fifteen or Twenty Thousand beyond it.

3862. Of the 14,000 Railway Labourers what Proportion are Irish?

I have no special Means of knowing that, but I should think from Observation that perhaps 10,000 of them are Irish.

3863. Are the others Highlanders?

A great Part of the rest are Highlanders.

3864. Would they go back to their Homes?

Some of them would, but the greater Proportion hang about Glasgow, hoping to get Employment.

3865. Are any of them Englishmen, what are called "Navies"?

Very few Englishmen.

3866. Were you present at the late Riots in Glasgow, and did you investigate them officially?

I was present the Second Day. I was in East Lothian the First Day; but the Second Day I was present, and I took all the Depositions, and committed all the Prisoners.

3867. Do you think that those Riots were entirely caused by the Want of Employment and Distress?

I think the Want of Employment was the pre-disposing Cause, but I think the Excitement of the French Revolution was the exciting Cause, because I heard

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heard Cries in the Crowd which certainly pointed at political Objects; but I am sure that the Excitement of the French Revolution would not have produced the Riots if it had not been for the immense Mass of Distress it had to work upon.

3868. Do you attribute a great Portion of the Distress in Glasgow and its Vicinity to the Effects of the Banking Acts of 1844 and 1845?
I think it is almost all owing to that.

3869. Do you consider that the Contraction of the Currency under the Requirements of those Acts greatly aggravated the Distress?
I think the Distress undoubtedly was owing to the sudden Contraction of Credit and of the Discount Accommodation of the Banks, so suddenly following upon the vast Amount of Transactions and Engagements entered into under the previous Railway and mercantile Mania; but I do not see why there should have been any Difficulty in carrying out those Engagements, if the Currency had been upon a proper Footing.

3870. You say it was almost all owing to those Acts; how do you trace it up to those Acts?
I think that the Way in which those Acts operate is this: that during a Period of Prosperity they aggravate excessively the Amount of dangerous and foolish Speculation, and then in Periods of Distress and Adversity they ruinously contract the Means of performing them. I have observed, and I can speak with perfect Certainty to the Fact, that both previous Speculation and subsequent Distress have been greatly aggravated since those Acts were passed.

3871. You mean that there has been a greater Amount of Speculation?
Yes; I think there has been a far greater Amount of Speculation.

3872. Will you explain in what Manner those Acts operate to encourage Speculation?
The Fact, I think, is certain, that Speculation during Periods of Prosperity has been materially increased since the Acts were passed.

3873. That is to say, an increased Quantity of Speculation has coincided with the Period during which the Acts have been in operation; but can you connect with the Operation of the Acts themselves any positive Increase in the Amout of Speculation?
I observe that the Speculation in Glasgow in Railways and in mercantile Business has been a great deal more extensive and alarming in 1845 than it was in the corresponding Period of 1835, and that the Distress has been proportionately greater since the Reaction took place, and I cannot help thinking that they were Cause and Effect. I often turned the Question in my Mind, and asked practical Men how they would explain the Effect that had taken place. The Explanation that occurred to me, and which they thought was well founded, was this: that as the Acts of 1844 and 1845 imposed upon the Bank of England and upon the Country Banks in Scotland and in England the Necessity of keeping a larger Sum than formerly in Specie in their Repositories,—and that was a great Expense to them,—they had no Alternative but to push Speculation as much as possible when their Tills were full. To effect this, the Bank of England lowered the Rate of Discount from Four and a Half to Three and Half, and at last to Two and a Half per Cent. The Moment they did that, the Scotch Banks were obliged to lower their Discounts also. When the Merchants got their Discounts at Three and a Half or Three per Cent., the Practice of borrowing became general, and extended to Persons who previously could not have got Accommodation; they entered into every kind of Speculation, and in that way the Act aggravated the Speculation. Then when the Importation of Grain, consequent upon the Irish Famine, drew the Money out of the Vaults of the Bank of England, and drew it out of the Reserve of the private Bankers, the Contraction of the Currency was proportionately great; so that this System first produced an enormous Amount of dangerous Speculation and Contracts, and then disabled the People from performing them.

3874. In

3874. In the first instance you attribute the great Increase of Speculation to a natural Desire on the Part of the Bankers to make up for any Loss they were obliged to suffer on account of keeping that large additional Amount of Specie by entering into Speculations which if they had not been obliged to keep that Specie they would not have entered into, and which consequently were less legitimate Speculations than their usual Course of Business.

I think the Act, by compelling the Banks to be at the Expense of maintaining that Amount of Specie in their Vaults, undoubtedly tempted the Banks to lower their Discounts and to give Credit to People to whom otherwise they would not have given Credit, and in that way aggravated the Tendency to Speculation, which already was sufficiently great from the prosperous State of the Country, from the Prevalence of Railways, and from the good Harvests.

3875. Can you explain in what way those Acts compelled the Bankers to keep a larger Amount of Specie in reserve in their Cellars than was sufficient to cover the Circulation that they intended to issue?

In Scotland the Banks were compelled by Law to keep in their Repositories a certain Quantity of Specie, to the Amount of about Nine hundred thousand or a Million. I do not know what the Amount which they habitually kept exactly was before the passing of that Law, but I should think before that the Quantity they kept was greatly less. I do not believe they had Half or a Third of that Amount.

3876. When you say that they were compelled, you mean that they were obliged to keep a large Amount of Specie in proportion to their Issue of Notes?

Yes. They could not issue Notes beyond a certain Limit, which I think was 3,200,000*l.* for all Scotland, without having a Sovereign in their Vaults for every Note issued.

3877. They were not compelled to keep that Gold in reserve except for the Purpose of covering Notes they meant to issue?

I think that perhaps the Banks, before the Act, had 400,000*l.* in their Vaults in Scotland, and no more; by the Act they were compelled to have a Million, in round Numbers.

3878. Not unless they issued Notes to that Amount?

No; but upon the 400,000*l.* Specie which they held before they issued Notes to the Amount of Four or Five Millions, and consequently they were not obliged to incur such an Expense in keeping Specie unproductive in their Repositories, and, therefore, they were not exposed to the same Necessity of lowering their Rate of Discount. The great Thing that did the Mischief was lowering the Rate of Discount to such an Extent.

3879. You said that the first Cause of lowering the Rate of Discount by the Banks in Scotland was its being lowered by the Bank of England?

Yes. The Scotch Banks always follow the Bank of England; but the same Cause pressed upon both. The Bank of England lowered their Discounts in the Year 1844 before the Scotch Banks did.

3880. Can you say whether the Bank of England in lowering its Rate of Discount was in advance of the Market?

I do not know that with perfect Accuracy, but I should think the Bank of England always took the lead, and that it was the lowering the Rate of Interest by the Bank of England that produced the consequent lowering by all the Country Banks. I know that in Glasgow the Banks invariably looked at the Rate of the Bank of England, and always preserved a certain Distance; that is to say, if the Bank of England lowered their Discounts to Four per Cent., they made it Four and a Half; if the Bank of England made it Three per Cent., they made it Three and a Half. They were always higher than the Bank of England; I think, generally, from a Half to One per Cent.

3881. You are not able to state whether the Bank of England, in lowering its Rate of Discount here, was lowering it in advance of the Rate in the London Market?

I cannot answer that of my own Knowledge, but I should think that the Bank of England being the great Discount Establishment—the Commander in Chief as it were—would take the lead as to the Rate.

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3882. Supposing that the Bank did not lower its Rate of Discount till the Rate had already fallen in the Market, and did not lower its Rate below that prevailing in the Market, do you conceive that the change made by the Bank of England would necessarily control the Rate of Interest in the Market?

I think that, from whatever Cause the Change arose, the Moment the Bank of England make a Change the other Banks all follow it, without reference to the Cause. They just look at the Bank of England. The Moment the Bank of England lower the Rate of Discounts they do the same, preserving their Rate a little higher than the Bank of England.

3883. You refer to Scotland?

I refer to Scotland; I cannot speak of English Banks.

3884. Supposing the Bank of England had kept its Rate unmoved, and that notwithstanding the Rate in the Market had fallen to Two per Cent. the Bank had maintained its Interest at Four, do you conceive that the prevailing Value of Money in England would have had any Effect upon the Rate of Interest in Scotland?

I think they have got in Scotland the habit of always looking at the Bank of England. They consider the Bank of England as an Index or Thermometer, to which they have reference, and they say, "If the Bank of England lowers we must do the same, or we shall lose our Business."

3885. By what process do you suppose the Act obliges either the Bank of England or the Scotch Banks to have a large Accumulation of Gold?

The Act of 1844 requires of the Bank of England that after the 14,000,000*l.* which they can issue upon Securities every subsequent Note issued must be upon a Gold Basis, and the Effect of that Law has been that since that Time, with the Exception of the disastrous Period of last Autumn, the Treasure has generally been from Twelve to Fourteen or Fifteen Millions.

3886. The Act of 1844 enables the Bank of England to issue 14,000,000*l.* of Notes upon Securities; after that it can only issue Notes in proportion to the Amount of Gold it had in its Coffers. In July 1846 the Gold amounted to above 16,000,000*l.* of Money; that and the 14,000,000*l.* would make 30,000,000*l.*, which was much more than ever was issued in the Circulation; how then did the Act occasion the Accumulation of Gold in the Coffers of the Bank?

I think, being aware that they were under the Necessity of paying in Gold, and having that stringent Regulation as to the Distinction between the Issue Department of the Bank and its Banking Department, they felt that, for their own Security, it was indispensably necessary to have a very large Reserve in Gold in their Repositories.

3887. If the Circulation of the Country never exceeded 22,000,000*l.*, do you suppose that the Directors of the Bank of England, in order to answer the Difference between Fourteen and Twenty-two Millions,—that is, Eight Millions,—thought it necessary to accumulate 16,000,000*l.* in their Coffers?

I do not know the Motive which induced the Directors of the Bank of England to accumulate so large a Treasure. I only know that since the passing of the Act the Treasure has been greater than it was before, and I see no Reason why the Treasure should be greater, unless from the Directors of the Bank feeling that under the more stringent Provisions of the new Act it was necessary to have a larger Amount.

3888. You think that in consequence of the Provisions of the Act the Accumulation of Gold in the Coffers of the Bank of England amounted to upwards of 16,000,000*l.*?

I do not think it was merely owing to that, because there was a great Accumulation of Treasure in the Bank of England before the Act passed,—in some Years I think it was as much as 15,000,000*l.*,—but I think the Bank has felt the Necessity of keeping a large Reserve of Treasure more stringently since the Act was passed.

3889. When the Bank lowered its Rate of Discount to Two and a Half per Cent. did not you apprehend that it was with the view of getting rid of some of its Treasure?

I think it was with the view of pushing their Business, and getting out their Notes, and holding Obligations which should pay them in return.

3890. Do

3890. Do you conceive that it was at the Discretion of the Bank, under the Act of 1844, to retain a larger or a smaller Amount of Gold in the Issue Department?

There was a certain Amount which they were obliged by the Act to retain. They were obliged to have for every Million they issued above 14,000,000 *l.* a corresponding Amount of Sovereigns.

3891. Therefore, whatever Amount of Issues have proceeded from the Issue Department above the 14,000,000 *l.* must necessarily be answered by a certain Amount of Bullion?

Yes.

3892. Then it was not at their Discretion that a large Amount of Bullion was accumulated in the Issue Department of the Bank?

I think it was under the combined Influence of the Provisions of the Act and of their own Discretion.

3893. Was it in the Power of the Directors of the Bank of England by any Exercise of Discretion to influence the Amount of Bullion in the Issue Department?

I should think the Directors of the Bank have the entire Control of their Amount of Treasure, because they need not buy Gold unless they like. They need not search for Gold and lay it in unless they choose.

3894. Under the existing Act has not any Individual a Right to take Bullion to the Bank and ask for Notes in return for it?

Certainly.

3895. Then is it in the Power of the Bank to refuse Issues upon Gold?

I should think not.

3896. Therefore the Amount of Bullion brought to the Issue Department by the Community must regulate the Amount of the Issues beyond the 14,000,000 *l.*?

It must be one Element in the Regulation of it; but there may be other Elements in the Judgment of the Bank Directors. Of course the Tendency of the Public to lodge Sovereigns in the Bank must be a most important Element in determining the Amount of Bullion that the Bank is to hold, but the Amount to a certain Degree must be regulated by the Determination of the Directors as to the Amount which they think it prudent to hold.

3897. Will you explain how you consider that the Directors of the Bank of England have any Power to regulate the Amount of Bullion in the Issue Department?

With respect to the Issue Department I do not know that under the existing Law they would have it in their Power at all.

3898. It would not be in their Power to regulate the Bullion in the Issue Department?

I think the Amount of Bullion in the Issue Department is acted upon by external Causes and by the Regulations of the Statute. They cannot help themselves.

3899. Therefore the Amount of Bullion that was accumulated in the Issue Department at the Period that has been referred to was accumulated there not in consequence of any direct Action on the Part of the Bank?

I think it was partly owing to the Directors. I see clearly that it is acted upon to a great Extent by Causes over which the Bank Directors have no Control; but I think also they have a certain Control in making it larger or smaller.

3900. Will you explain how you conceive that the Bank Directors by any Discretion of their own can influence directly the Amount of Bullion in the Issue Department?

I think the Directors would have it in their Power in the same Way that a Merchant or any Individual would have it in his Power. I am perfectly aware that there are a great many Causes which will cause Bullion to flow in to them over which they have no Control, but they need not lay in a Stock of Bullion unless

unless they choose. To a certain Extent it will come upon them, but to a certain Extent it will be voluntary, and I do not think they need lay it in voluntarily unless they like.

3901. How is it in the Power of the Bank Directors to lay in Bullion in the Issue Department?

Just in the same Way as it is my Power to lay in Bullion in my own private Fortune, by the Purchase of Bullion.

3902. Do you conceive that under the Act of 1844 the Directors of the Bank have the Power of laying in Bullion in the Issue Department in that Manner?

There is nothing to hinder their going and purchasing Bullion to any Amount that they choose.

3903. How do you conceive that they purchase Bullion in the Issue Department?

I do not see any Distinction between the Issue Department and the Banking Department of the Bank of England. The Bank of England has it in its Power to purchase 30,000,000 *l.* of Bullion and lay it in partly in the Issue Department, and partly in the Banking Department.

3904. The Question is confined to the Issue Department. How do you consider that the Directors of the Bank of England can influence by a direct Exercise of Discretion the Amount of Bullion in the Issue Department,—that which the Law compels them to hold for their Issues beyond the 14,000,000 *l.*; how can the Directors exercise any Control over that Amount?

One obvious Way is by contracting the Issue of their Notes. If they contract the Issue of their Notes the Obligation upon them to hold Bullion will be diminished.

3905. Do you mean to say that they could refuse the Issue of Notes in the Issue Department if Bullion were brought to them?

I should think not.

3906. Then if the Public bring Bullion to the Issue Department they must necessarily issue Notes corresponding to that Bullion?

Certainly.

3907. Therefore whatever Amount the Public chooses to bring must necessarily be kept by the Managers of the Bank?

Certainly.

3908. Therefore if a large Amount is brought in, no direct Discretion of theirs can prevent their retaining it and issuing Notes upon it?

I think the Issue Department of the Bank of England is under such stringent Regulations that it is in a great Measure out of the Power of the Bank. When I say that the Bank of England have the Power, I mean the Bank of England as a whole. I am quite aware of the Distinction between the Two Departments, but I mean the Bank as One Institution. One Department may be out of their Power, the other may be in their Power; but the Bank as a whole have a complete Control over the Amount of Bullion. I am perfectly aware that the Act requires them to have a certain Amount of Bullion.

3909. You merely meant to say that by certain Operations in the Banking Department they might produce an indirect Effect upon the Issue Department?

Yes. I consider the Bank of England as one, without reference to the Difference between the Two Departments.

3910. You meant to say that by the Operation of the Act a large Amount of Bullion was laid in in the Coffers of the Bank, and that was of course simultaneous with a large Issue of Notes?

Yes.

3911. It was necessary to get those Notes into profitable Operation by immediately diminishing the Rate of Discount, and so giving a great Stimulus to Speculation?

Yes.

3912. With respect to the Manner in which the Operation of this Act is supposed to encourage a Bank fostering improvident Speculation, and in making a wanton Issue of its Paper Accommodation, the Act compels a Bank in Scotland to retain in its Coffers Bullion to cover any Amount of Paper that it intends to issue over and above a certain Amount?

Yes.

3913. Now supposing there had been no such Necessity imposed by the Act, would not the Profit of those Discounts and of that Accommodation have been greater without the Obligation to back it by Gold than it is where it is necessary to back it by Gold; that is to say, would it not be more profitable to discount to the Public by the Issue of Notes, not being obliged to retain Gold to cover those Notes, than it is where you are obliged to retain a Sum in Gold equal to the Amount of those Notes in order to cover them?

It would be undoubtedly more profitable to discount with a less Amount of Bullion in Store.

3914. As to each particular Sum issued, it would be more profitable to issue Paper if you were not obliged at the same Time to maintain a Reserve of Gold to meet it?

It would be more profitable to issue Notes upon the Security of a small Amount of Bullion than upon the Security of a larger Amount, because the Interest upon the Price of the Bullion is just so much taken away from the Profit of the Transaction.

3915. Does not it follow from that, that the Obligation to back their Notes by Bullion, so far from encouraging wanton Issues, has rather an opposite Effect; does not it make it less profitable?

I do not think so. The way in which it operates is this: that Banks in Scotland might before the Act have thought themselves under an Obligation to keep 300,000 *l.* in Specie in their Vaults; they thought that was enough; then if they were obliged to increase their Store to a Million, and there were 700,000 *l.* more in Specie put into their Vaults, they must pay for that of course, and they had no Means of indemnifying themselves for that Outlay but by pushing their Business. I agree that it would be more profitable to them if they could have issued that increased Amount of Notes without the Bullion than with it, but they would not have issued that Extent of Notes without the Bullion; they would not have gone to the Hazard of issuing to that Extent, often to Customers in doubtful Credit, were it not that being saddled with that large Amount of Gold they thought themselves under the Necessity of increasing their Issues to pay themselves. It is like the Case of a Merchant; if you oblige him to increase the Number of his Clerks,—if instead of paying 2,000 *l.* a Year for Clerks you make him pay 5,000 *l.*,—he must increase his Business to repay himself for it.

3916. The Banks are only obliged to maintain so much Bullion in reserve as is sufficient to cover the Notes they mean to issue in the course of their Business?

I am aware of that.

3917. How is it then that they make an extra Issue for the Purpose of meeting the Amount of Bullion which is only required to meet that Issue?

There is a certain Number of Notes required to carry on the Business of their Customers. I will suppose in round Numbers that the Notes required to carry on the Business of their Customers—to keep those Customers easy, and to keep the Business in their own Hands—amounts to Three Millions over Scotland, and that for those Three Millions they held 300,000 *l.* in Specie. Then all that the Banks would pay in Interest of Money for Treasure held would be 15,000 *l.* a Year. But if the Three Millions which they must issue to keep their Business in hand comes to be saddled, not with the Payment of 15,000 *l.* a Year, but with the Payment of 50,000 *l.* a Year for Interest upon Specie which they are obliged to hold, then that 35,000 *l.* a Year is added as a Charge upon the Banks, and being saddled with that 35,000 *l.* additional, it is a dead Charge upon them, which is just as great a Loss to them as the Income Tax is to private Individuals, and they have no Alternative but to push their Business to meet that extra Expense.

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3918. Was not Scotland very well satisfied with its Banking Condition prior to 1844?

Perfectly; there was not a dissentient Voice.

3919. The whole Country, including Merchants and Agriculturists and all Classes, were perfectly satisfied until Sir Robert Peel interfered with his Act, and now they are all dissatisfied?

There certainly was not a dissentient Voice in Scotland upon the Currency before 1844.

3920. Is there a great Expansion of the Circulation at the Two Terms of Whitsuntide and Martinmas?

In Scotland there is a great Amount of additional Business done at the Two Terms of Whitsuntide and Martinmas. All the great Payments—such as Rents of Lands and Houses, as well as of Interest upon Bonds and other Payments—are made due at those Terms, and at least Fifty per Cent., perhaps 100 per Cent., would be required to be issued beyond the ordinary Currency of the Country to meet the Demands of those Two Fortnights, and which after that Fortnight is over may be withdrawn till the next Half Year comes round.

3921. At those Terms do you consider the Circulation authorized by the Act of 1844 not based upon Gold to be inadequate?

I do think it totally inadequate to the present Transactions of the Country.

3922. Are not the Rents of all Properties in Scotland paid at those Two Terms?

All the Rents of landed Property are paid, and all Rents of Houses and Interest on Bonds and all great Payments are made at that Time.

3923. Do you think it unfair that the annual Average is given without the monthly Returns?

I think that in consequence of there being such a great Increase of Payments at those particular Terms there ought to be a Possibility of getting an Increase of the Currency at the Time to be drawn in shortly after. I should say that to keep the Currency of Scotland on a right Footing the Banks should have the Means of issuing in May 1,000,000 *l.* or 1,500,000 *l.* additional and of drawing it again in June, and the same in November and December.

3924. In the last Year, what is the Increase in the Amount of the Customs Duties collected at the Harbour of Glasgow and in the Revenue of the Clyde Trustees?

The Custom House Dues in 1840 were 472,563 *l.*; in 1844, 551,851 *l.*; and in 1847, 659,834 *l.* The Revenue of the Harbour Dues in the Clyde, in 1840, was 46,651 *l.*; in 1844, 41,286 *l.*; and in 1847, 59,017 *l.*

3925. Do you consider that the same Amount of Circulation which was adequate to the Transactions of 1840 is adequate to the Transactions of 1847?

There is an Increase in this particular Department showing an Increase of Business in the City of about Twenty-five per Cent. in those Seven Years, and I should think of course there should be a proportionate Increase of the Currency, otherwise the People must be pinched and the poorer Classes who have least Credit must be ruined.

3926. In what Manner does the Act prevent the Increase of the Currency up to the Demand?

It does not prevent the Increase of the Currency provided the Banks can lay in Sovereigns to the requisite Amount, but it prevents the Increase of the Currency by the simple Operation of issuing Notes, which is a much less Expensive and less tedious Operation.

3927. Does not it in fact only provide a greater Security for that increased Amount of Currency?

I do not think that the Obligation upon the Banks to keep more Gold in reserve has added in the slightest Degree to the Security of the Scotch Banks either in point of fact or in public Opinion. The public Opinion in Scotland is, that the Effect of the Act of 1845 is, that the Banks, instead of keeping so much of their Capital in Exchequer Bills, or in the Public Funds, upon which they get a Return in the Dividends, are obliged now to keep a Part of their Capital

Capital in Gold, which pays them nothing; and the People think it would be a great deal better that the Banks should have the Money in Exchequer Bills or in the Funds, because the Security to them is equally great, and the Expense to the Banks being less, they would be under the Necessity of levying less Money upon them, and they would not be so much driven to imprudent Speculations, and would not make so many Charges upon their Customers.

3928. You mean that the cheaper the Banker can carry on his Business the greater Accommodation he can afford to the Public?
Yes.

3929. Therefore every thing that increases his Expenses diminishes his Power of accommodating the Public?
I am not sure of that. If you increase a Banker's Expenses, it is just the same as if you increased the Rent of a Merchant's Warehouse. If you increase the Rent of a Merchant's Warehouse, you do not disable him from carrying on Business, but you drive him to the Necessity of doing a greater Business to pay the additional Rent. It is just the same with a Banker. If you impose upon him an increased Charge, by making him keep a large reserve Fund in Bullion, you drive him to the Necessity of doing a greater Business.

3930. Was not the Competition among Bankers in Scotland so great that they gave as great Accommodation as they possibly could to the Public, in order to push their Business, and to get the usual Profits of Trade for themselves?
I think the Competition between the Banks in the last Two Years has been much greater than before; they have pushed their Business to a far greater Extent. In 1845 and in 1846 they pushed their Business to an Extent that I never saw equalled; they gave Accommodation in Glasgow to Persons whom they would not have looked at formerly.

3931. You assumed that at the Time when the Change in the Law was made the Banks held about 300,000 *l.* in Specie?
I stated that hypothetically. I do not know what Amount they actually held; I should think about One Third of what they hold now.

3932. Supposing it was from Three to Four hundred thousand Pounds, and that their Circulation amounted to about Three Millions, the Result of that would be, that they would hold about an Eighth or a Ninth Part of their Circulation in Specie?
Yes.

3933. Do you conceive that in Times of Pressure, when there might possibly be some Uneasiness on the Part of the Public with respect to the Solvency of the Banks and the Convertibility of the Notes, an Eighth or a Ninth Part in Specie is sufficient to answer the Circulation?
I think that an Eighth or a Ninth Part in Specie is perfectly sufficient to answer the Circulation with the rapid Communication that there is now with London by Railway in One Day. I think it would not be at all sufficient if the Banks had not known Property in the Funds, ready to be sold at a Moment's Warning, to meet any Demands. But considering that they communicate so rapidly with London, and that the Produce of their Funded Property in Money can be got in Forty-eight Hours, I think it is sufficient.

3934. That you think is the great Security?
The great Security which the Public look to in Scotland is, the Amount of Funded Property held by the Banks and the Credit of their numerous Partners.

3635. In a Moment of Pressure and Alarm it would be necessary for the Scotch Banks to obtain additional Specie from London?
Evidently.

3946. They would do that by the Sale of Securities in London?
Yes; the Price to be remitted in Sovereigns.

3937. And there would be a Demand for Gold upon the Issue Department at the Bank of England?
Certainly.

 3938. Supposing

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3938. Supposing at the same Moment a Pressure prevailed in England also, and there was a very severe Demand for Gold upon the Bank of England, do not you think that a Demand coming from Scotland at that Moment would increase the Difficulties in London?

Of course. Nobody can doubt that if there is a Pressure in London, if that is aggravated by a Pressure from Scotland the Evil will be increased. But I do not think that the present Act is calculated in the least Degree to remove that Evil. I do not know it personally, but I understand that the Pressure of the Scotch Banks upon the Bank of England has just been as great since the Act of 1845 as it was before, and that there has been no diminished Pressure upon the Bank of England from that Cause.

3939. The ordinary Pressure of the Banks in Scotland is one merely for Gold for commercial Operations, and it is not necessary to bring Gold to Scotland?

As far as I recollect, in no one of the Crises which have occurred has there been any material Pressure upon the Banks for Gold. The People in Scotland have not the least Desire to get Gold; they would much rather have Notes. What Demand there was on the Banks in Scotland for Gold was to meet the Wants of the Merchants who had to send Gold out of the Country; but as to any Panic to turn Notes into Gold, I never knew such a Thing in Scotland. In no one of the Panics which has occurred was there the least Panic in regard to the Notes.

3940. Are you able to say that upon none of those Occasions of Pressure which have occurred did the Banks in Scotland obtain Gold and bring it down from London?

I know some of them obtained Gold to a great Amount; at least I heard so.

3941. If at that Period they had possessed a larger Amount of Specie in their Coffers, would it have been necessary for them to bring so much from England?

I think under the Act of 1845 they would have been obliged to bring down just as much if they had had this great Quantity in Store. Without the Operation of the Acts of 1844 and 1845 of course the Pressure here would have been diminished, because if they had had 500,000 *l.* instead of 200,000 *l.* they would have had 300,000 *l.* more to meet the Demand; but under the Operation of the Acts of 1844 and 1845 I understand there was no Diminution of the Pressure, because the Result was this, that having a certain Number of Notes in Circulation, perhaps 3,500,000 *l.*, they were obliged to keep the Sovereigns they had in their own Repositories in order to keep their Notes out; and consequently, in order to meet any Run upon them, they could not part with the Sovereigns out of their Cellars without contracting their Issues and injuring their Customers.

3942. How did the Law compel them to keep the Notes out?

The Law did not compel them to keep the Notes out; the Necessities of their Customers compelled them to keep the Notes out.

3943. Suppose in a Moment of Pressure a Demand is made upon a Banker for the Payment of his Notes, do you think it would make no Difference to the Banker in the Amount of Specie he brought from elsewhere whether he had a large Amount or a small Amount in his own Cellars?

No, not under the existing Law. It would make a great Difference to the Banker if he was not fettered by any particular Statute. If he had a large Amount of Specie in his Cellars he would be under the Necessity of applying for a less Quantity elsewhere, but as the Law imposes upon him the Necessity of having Specie to a certain Amount to meet his Notes in Circulation, and those Notes must be kept out in order to keep his Customers afloat, it is evident that when a Pressure comes upon him he cannot draw the Gold out of his Cellars, but he must come to London and get a Remittance in Sovereigns here.

3944. Suppose there were any political Panic or any Cause which produced Apprehension with respect to the Convertibility of the Note, would it then be in the Power of the Banker to keep his Issues out without paying in Gold?

Certainly not, if the Notes were presented for Payment. If you can conceive the public Feeling to be such that the Notes in large Quantities and Deposit Receipt were presented for Payment, he would then be obliged to sell his

his Funded Property to draw all his Sovereigns out together; but that has never occurred yet.

3945. If such an Apprehension arose, and he was called upon for the Payment of his Issues, it would be indispensable that he should have a considerable Amount of Specie in his Possession?

He must either have a large Amount of Specie in his Cellars, or else have a large Amount of Funded Property convertible into Specie to be realized in London at a Moment's Warning.

3946. The latter was the System formerly pursued by the Banks in Scotland, and the former is the System prescribed by the Act?

The former System of having Funded Property convertible was the old System.

3947. Now they are required to have a considerable Amount of Specie in their own Cellars to answer those Emergencies?

Yes.

3948. May not there be a great Pressure upon a Bank without any Doubt as to the Payment of the Notes?

There may be a great Pressure upon a Bank from many Causes, and very often there is great Pressure, without the least Doubt of the Solvency of the Bank. The Pressure is, because the Customers must have Money to meet their Engagements; for example, at every Term in Scotland there is great Pressure upon the Banks, not from the least Doubt of the Banks, but because People must have Money.

3949. At those Times when there is a Pressure upon the Banks, and a large Amount of Notes is required in the Hands of the Public, could they make use of the Bullion in their Coffers for the Purpose of paying any Deposits in their Hands?

No.

3950. Therefore the Specie is of no avail to the Banks at that Time?

Under the existing System the Specie in the Vaults of the Banks of Scotland is no Security whatever against a Run upon London for additional Sovereigns.

3951. What was the Reason that induced the Banks in Scotland to keep that 300,000 *l.* or 400,000 *l.* in Bullion in their Cellars previously to the passing of the Act of 1845?

They kept that Amount of Gold in their Cellars, previously to the Act, which Experience had shown them corresponded to the average Demand of their Customers for Specie, and beyond that they trusted to the Funds.

3952. They want to keep the same Amount of Bullion now for those Purposes that they did then?

Yes.

3953. For what Purpose have they now about 900,000 *l.* more Bullion in their Cellars?

It is just under the Operation of the Law; they must do it; they could not avoid it under the Law except by withdrawing their Notes and ruining their Customers.

3954. They are obliged to keep that Amount of Gold for the Purpose of meeting the extra Issue of Notes over what they are allowed by the Act of 1845 to issue?

Yes.

3955. At those former Periods of Distress and Panic to which you adverted, when Gold was sent for by the Scotch Banks from the Bank of England, do you know whether, in point of fact, the Public came to any of those Banks to exchange their Notes for the Gold so sent down from the Bank of England?

There were some Occasions on which there were Runs upon Two or Three private Banks in Scotland—that is, Banks of a limited Number of Partners—in which there evidently was, for a few Days, a Panic in regard to the Stability of the Bank, and it undoubtedly required the Notes of those Banks for a few Days to be turned into Gold, in order to avoid the Chance of the Bank breaking.

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3956. But that Action was limited to those few private Banks which then existed?

It was entirely limited to those private Banks. I know that on one Occasion particularly, when one of the private Banks in Edinburgh in 1834 had a very severe Run upon it,—Sir William Forbes's Bank, now merged in the Union Bank,—the People were doubtful of the Bank, and were demanding Gold or Silver for the Notes, and the way in which the Operation of the Bank was done was this, the Bank got Assistance from other Banks, and paid all their Notes in Specie to an immense Amount, an Amount of several Hundred thousand Pounds in a few Days. When the People had got the Specie they did not know what to do with it. They directly went over with it to the Royal Bank of Scotland, and paid the Specie into that and other Banks to get Notes, and the Specie was sent back in the Night from those Banks to Sir William Forbes's Bank, and for several Days it went on in that way.

3957. But in those Cases, at the Periods which have been referred to, has there been any Instance of a Run upon any of the chartered Banks or the Joint Stock Banks for the Purpose of exchanging Notes for Gold?

No Instance has occurred within my Recollection of a Run upon a chartered or Joint Stock Bank.

3958. Are there any private Banks now existing in Scotland?

No; they are all merged into Joint Stock Banks.

3959. Do you conceive that such an Occurrence as an Apprehension and Demand for Gold in Scotland is absolutely impossible?

I do not think it is impossible. I can conceive a political Occurrence which might produce a most dreadful Run upon the Scotch Banks, which has never occurred yet; and a most dreadful Thing it would be.

3960. You admit that such an Occurrence might occur, and among other Risks from some political Alarm. Now supposing such an Occurrence to take place, are you of opinion that the Issues of the Scotch Banks, being now as they are, supported by about 1,200,000 *l.* or 1,300,000 *l.* in Specie, would be as insecure as regards the Convertibility of the Notes as if they only possessed 300,000 *l.* in Specie?

I think that the Security of the Notes in Scotland being mainly based upon the large Amount of Funded Property which the Banks hold, which is known to be immense, would be just as great without that additional Amount of Specie, provided the Funds were not threatened. It would be different if there were any Threat of applying a Sponge to the Funded Debt.

3961. If the Banks under the old System had only 300,000 *l.* in Specie, they would have been compelled to convert a larger Portion of their Property into Bullion than if they held 1,200,000 *l.* or 1,300,000 *l.* in Specie?

There is no Question of that. If any political Cause was to shake the Security of the Funds, if, for example, a Government got possession of the Country who threatened to apply the Sponge to the Funded Debt,—then I think the Credit of the Scotch Banks would be dreadfully shaken. But I do not think it would be a Matter of any Consequence in that Case, because the whole Credit of the Country would be shaken at once.

3962. You admit that if such a fearful Occasion as that were to arise the Banks in Scotland would be compelled to obtain a larger Amount of Specie in London, by the Conversion of their Securities under the former System, when they held only about 300,000 *l.* in Specie, than they would be compelled to obtain having 1,200,000 *l.* or 1,300,000 *l.* of Specie?

Undoubtedly.

3963. That being the Case, would not that necessarily at a Moment of great Alarm and great Distrust produce additional Difficulty to the Bank of England in London upon which the Demand came?

I think so, undoubtedly. If any Event should occur which seriously shook the Credit of the Funds the Demand from Scotland to meet the Notes, if the Reserve was only 300,000 *l.*, would be greater than if it was 1,200,000 *l.* But I think that that Evil is a remote and contingent Evil, and one not to be put in comparison with the Evils that exist now; and I do not see that it signifies where the Bullion, in such an Event, is placed in the Country, whether in London

London or Scotland, because the whole Metallic Resources of the Country would be drained out of the Banks in a few days. If there were 700,000 *l.* more in Scotland to meet this general Run there would be 700,000 *l.* less in London.

3964. Admitting that that is a remote and contingent Evil, whatever Precaution is to be taken against that Evil is now required to be taken by the Scotch Banks themselves to a considerable Extent?
Yes.

3965. Do not you think there is some Equity in the Regulation that the Cost of providing against a Contingency of that sort should fall at least in part upon the Parties interested?
I think that there is no necessity at all for the Provision. I think it is a gratuitous Burden laid upon the Country generally wholly beyond Necessity. I know perfectly well that if there was to be a serious Blow given to the Credit of the Funds there would be a Run upon every Bank in the Country for Specie, and they would all break, and every body would become insolvent together. It would be of very little consequence who broke first.

3966. Is it not to be always borne in mind that the Banks are obliged to provide against Inconveniences of this kind before they actually occur?
Yes.

3967. Supposing such an Occasion was apprehended, and the Banks were obliged to obtain a large Amount of Specie, they must, under the former System, have obtained a great Part of that from London?
Yes.

3968. Then if under the present System it would not be necessary to obtain so large an Amount, would not that be pro tanto a Relief to London?
I think that if a political Catastrophe of so serious a Kind occurred, as to bring all the Notes of the Scotch Banks upon them to be paid, the Banks would undoubtedly exhaust all their Treasure, and be obliged to come upon London to meet the Demand. But I do not think that such an Occurrence as that could take place without a State of Things that would destroy the Credit of the whole Country and involve us all in universal Ruin.

3969. You think that the Scotch Bankers are prudent enough, and you would prefer leaving it to their Prudence rather than that the Law should force them to keep in their Cellars a large Quantity of Gold which they do not want?
I think so, undoubtedly. I think that the Operation of the present Law induces great Evils at the Recurrence of certain Periods. I know it is the universal Opinion in Glasgow that if it rains heavily Three Weeks in the Autumn together, you have a Run upon the Banks to look forward to ere long, on account of the Sovereigns being drawn away to buy Grain. Now, as Rain unfortunately there occurs very often, I do not see the Necessity of being exposed every Two or Three Years to a Run of that Kind, which is the Operation of the present Law.

3970. You have been examined as to the possible Effect of a discredit upon the Funds, which, in your Judgment, would entail as a Consequence the Discredit of all Banking Establishments and the Cessation of all commercial Transactions. Now, supposing such a Discredit to occur, do you think that the Proportion of Gold which is required by the Act of 1845 to be kept in Scotland, would be any Protection against the extreme Case which has been put?
I think it would not be the least Protection in the World, because the Amount of the Engagements of the Scotch Banks to pay their Deposit Receipts is enormous compared to the Amount of their Bullion. Supposing their Bullion to be 1,250,000 *l.*, I suppose they would have to pay Deposit Receipts to the Amount of 30,000,000 *l.*

The Witness is directed to withdraw.

Ordered, That this Committee be adjourned to Monday next, Two o'Clock.

Die Lunæ, 5° *Junii* 1848.

The LORD PRESIDENT in the Chair.

Evidence on the Commercial Distress.

James Morris, Esq. and *H. J. Prescott, Esq.*

5th June 1848.

JAMES MORRIS Esquire, Governor of the Bank of England, and HENRY JAMES PRESCOTT Esquire, Deputy Governor of the Bank of England, are called in, and further examined as follows:

3971. (*To Mr. Morris.*) WILL you be so good as to state whether in your Recollection any Pressure occasionally took place upon the Bank of England from the Scotch Banks in consequence of a Demand for the precious Metals previously to the passing of the Act of 1845?

Previously to the Act of 1845 coming into operation, between the 21st of June and the 29th of November 1845, the Bank of England lost Sovereigns and Half Sovereigns to the Amount of 3,762,000*l.*, a great Part of which probably went to Scotland and Ireland. The Act, I think, came into operation upon the 6th of December 1845.

3972. What was the State of the Foreign Exchanges at that Time?

At that Period Bullion was coming into the Country in considerable Amounts.

3973. Therefore by no Possibility could a Foreign Export of Bullion have taken place?

It was entirely an internal Demand.

3974. Can you state in what Proportions the Demand took place as respects Scotland and Ireland?

We have no means of ascertaining where the Sovereigns go to, but I observe that on the 31st of January 1846, being the first Four Weeks Averages of Coin (Gold and Silver), the Amounts held by the Banks of Scotland and Ireland were reported in the Gazette to be 3,710,000*l.* Probably a large Proportion of the Gold we lost went to make Provision for the Act of 1845.

3975. Then in fact the Act of Parliament required the Scotch Banks to hold more Bullion than they did before, and therefore they were obliged to apply to you for it?

The Act of Parliament limited the Scotch and Irish Banks to a certain Amount of Issues, and any Issues beyond that Limitation were to be made against Gold and Silver; if there was an increased Demand for Notes beyond the limited Amount, the Remainder of the Issue would have been made against Gold and Silver.

3976. Then that Pressure arose from the Act of 1845 requiring the Banks to provide Gold upon which to issue their Notes?

I cannot say "Pressure," for at that Period there was not any Pressure; on the contrary, the Influx of Gold was larger than the Country required.

3977. But the Applications for Gold arose from the Act of 1845?

The Applications for Gold arose out of the Operation of the Act of 1845.

3978. Have you any Means of tracing whether there was a similar Demand for Gold from the Scotch and Irish Bankers lately in the Year 1847?

I stated in my former Evidence that between the 14th of August and the 13th of October 1847 the Bank lost 2,200,000 Sovereigns from an internal Demand; what Portion may have gone to Scotland or Ireland I cannot say. My impression is that only a small Portion went to Scotland and Ireland.

 3979. Within

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3979. Within your Knowledge and your Recollection, has there been upon any Occasion any Inconvenience felt in consequence of the Demand for the precious Metals from the Scotch Banks previously to the Time to which you allude?

I cannot say there was any Inconvenience at that Period. The Quantity of Bullion which the Bank held, notwithstanding the Demand for Scotland and Ireland, was about Fifteen Millions; so that at that Period there was not any Pressure in consequence of the Demand for Gold from the Banks in Scotland and Ireland.

3980. Were the Bank of England under the Necessity of keeping a larger Amount of Bullion than they otherwise would have kept in consequence of their Liability to a Demand from Scotland and Ireland?

I should rather say the contrary. A greater Quantity of Bullion being in Scotland and Ireland, the Bank of England would be under the Necessity of keeping less.

3981. In Times previously to that to which you are alluding did such a Necessity exist?

A larger Amount of Gold might have been required in the Country for the Purpose of meeting the Demand from Scotland and Ireland.

3982. Then the Bank of England would necessarily take that into consideration in providing itself with the precious Metals; applying the Question first to the State of Things previously to 1844?

It is difficult for me to answer to that Question. I have always considered that we ought to have acted upon the Principles of the Act of 1844, whether that Act had passed or not; consequently if there was a Demand for Gold, and the Amount of Gold in the Bank was diminishing, the Notes naturally ought to have diminished in the same Proportion. If the Demand was for Export the Exchanges would have been acted upon by the Contraction, but if the Demand were an internal one it would cause a Substitution of Gold for Notes.

3983. Then you consider that if the Bank had acted upon what in your Opinion are sound Principles, it would have been under the Necessity, previously to the Act of 1845, of providing itself with more Gold than it otherwise would have required, to meet the Demand from Scotland?

I think so.

3984. Have you ever had, in previous Years, any Demand for Gold from Scotland exclusively for Circulation in Scotland?

I think not. We scarcely know whether the internal Demand is for this Country or for Ireland or for Scotland.

3985. Are you acquainted with the Scotch System of Banking?

Not practically.

3986. Are you aware that Gold is looked upon with more Suspicion by the People of Scotland than Scotch Notes?

I have been told so, but I cannot say so of my own Knowledge.

3987. That they really prefer Scotch Notes to Gold?

I have heard so.

3988. Under the Act of 1845 must not the Scotch Banks, when they have any Foreign Transactions, still come to the Bank of England for Bullion?

It depends very much upon the State of the Circulation in Scotland. Looking at the whole of the Year 1847 there was not a single Period in which the Banks had not a considerable Amount of Bullion in reserve against their Notes. Necessarily their own Reserves would have been acted upon before they applied to the Bank of England.

3989. Do you suppose that they would transmit their Reserve in order to carry on Foreign Transactions?

I am not aware that the Scotch Bankers carry on any Foreign Transactions. I should think not.

3990. Are you at all aware of the Quantity of Bullion that was kept in Scotland before the passing of the Act of 1845?

I am not.

3991. You are aware that there has been a very great Increase since the passing of the Act?

I am told that previously to the Act of 1845 there was only a small Amount of Coin in Scotland. On the 30th of June 1846 the Amount of Coin returned by the Scotch and Irish Banks was 3,568,000*l.*

3992. Do you think that they kept this increased Quantity to meet the Wants of their Customers or the Chances of a Panic, or for the Purpose of enabling them to issue Notes against that Amount?

I should think that the greater Part was kept as a Reserve against the extra Issue of Notes.

3993. If Notes were issued to the Amount of the Gold in the Cellars of the Scotch Banks, in the event of a Panic or a Run for Gold upon them, would they not be obliged to realize the Securities which they held in the Bank of England quite as much since the passing of the Act of 1845 as they would before?

No, I think the Reverse. The Amount of Coin which they held against their extra Issues would be sufficient for the Purpose of meeting the Demands which might be made upon them for the Payment of their Notes. The Banks are allowed to issue to a certain Amount; all Issues beyond that Amount are made against Gold and Silver. The Notes which might be presented to them in consequence of the Demand for Gold and Silver would probably not be beyond the Amount which they had issued against Gold and Silver; consequently the Demand would not be greater than the Amount of their Reserves of Coin.

3994. But there is no Instance where there has been such a Run for Gold in Scotland in exchange for Notes?

I have no Means of knowing.

3995. You have no Recollection of any Pressure on the Bank of England from the Scotch Banks?

I do not think there has been any Pressure.

3996. Are you aware of the Evidence which Mr. Horsley Palmer gave in 1832, before a Committee of the House of Commons?

I have a Recollection of it.

3997. He is asked, "Do you think that in such a Crisis there would have "been a Tendency to general Contraction among Banks acting in competition "with each other in the Metropolis?" He answers, "I think it would be pre- "cisely the Case that does appear in Scotland. The Scotch Banks are Banks "of great Credit and great Property, but whenever a Demand arises upon them "they have not the Means of meeting it without coming to the Bank of England. "Even in the last Fortnight it is very currently stated that the Banks in Scot- "land had not the Power of meeting the Demand upon them. I believe Newcastle "afforded some Assistance. Orders were also sent to Liverpool for a Supply; "and I know that a further Supply went from London." Have you any Experience which may lead you to corroborate that Statement of Mr. Horsley Palmer?

I have seen the Statement, but I cannot say whether it is correct or not. I have been told that in 1836 the Scotch Banks were obliged to realize a large Amount of Securities in London, for the purpose of meeting their Engagements; that in 1839 they were also obliged to realize a large Amount of Government Stock, and that in 1847 the Amount which they realized was comparatively speaking trifling.

3998. Is there any thing unfair or harsh towards the Bank of England in the Scotch Banks realizing what is their own Property?

Certainly not.

3999. Supposing that the Banking System in Scotland is necessarily exposed to Risks, would it not be an additional Pressure upon the Bank of England at a Moment of Embarrassment to have to answer a Demand for Gold from the Banks in that Part of the Country?

I should consider it not so much affecting the Interests of the Bank as affecting the Interests of the Country. A large Import of Bullion might be required for the Purpose of supplying the Scotch and Irish Banks.

James Morris, Esq. *and* *H. J. Prescott, Esq.*

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4000. It would cause a greater Pressure upon the Issue Department of the Bank of England?
It would necessarily cause a Diminution in the Notes in the Issue Department of the Bank of England.

4001. Did the Pressure which took place upon the Scotch Banks in 1836 and in 1839 occasion any Demand of an extraordinary Nature upon the Bank of England for Bullion?
In 1836 and 1839 there was a considerable Demand upon the Bank for Bullion.

4002. Did you understand that that Pressure was occasioned by a Run upon the Scotch Banks, or a Difficulty on their Part which called upon them to go to the Bank of England?
No; it chiefly arose out of other Circumstances, but it may have been increased by a Demand from Scotland.

4003. In the Pressures of 1837 and 1839 the Exchanges were greatly against this Country, and the Demand for Gold was for Foreign Purposes?
Yes.

4004. What Power has a Scotch Bank of extracting Gold from the Bank of England?
The only Power of a Scotch Bank is that of selling Securities in London, for the Purpose of obtaining Bank Notes.

4005. The only Means that a Scotch Bank has of getting Gold from the Bank of England is common to them and to every other Holder of Bank Notes?
Just the same.

4006. And therefore it may take place as much under the present Law as under the former Law?
Certainly.

4007. But you conceive that it would not take place to the same Extent under the present System, because the Scotch Banks hold a much larger Amount of Bullion, to which they can have recourse?
Under the present System there is a Guarantee that it cannot take place to the same Extent, there existing a certain Amount of Gold in Scotland and Ireland against which Notes have been issued.

4008. Do you consider that when the Scotch Banks come for Assistance to the Bank of England that Assistance is given in Bullion?
The Scotch Banks are not in the habit of applying to the Bank of England for Assistance; they have their Agents in London, who realize Securities for them, and either send them Gold or pay their Drafts upon them.

4009. Then can the Call for Gold made by the Scotch Banks upon the Bank of England be in consequence of the Act of 1845?
I stated that in the Year 1845 there was a Period when we lost a large Amount of Gold Coin, which I supposed arose in consequence of Preparations being made for the Scotch and Irish Acts which were coming into operation.

4010. You do not think that the permanent Effect of the Act of 1845 could have been at all that of increasing the Call upon you, but you mean to confine it to a temporary Demand occasioned by the Adoption of a new System?
Yes.

4011. You think that the Adoption of the new System caused a Drain in the Beginning of the Year 1846 of about 3,000,000 *l.* for the Scotch and Irish Banks?
Between the 21st of June and the 29th of November 1845 we lost 3,762,000 *l.* in Sovereigns, and I have Reason to suppose that a large Portion went to Scotland and Ireland.

4012. In 1847 you would have been very glad if you had had more Bullion in the Bank of England?
As far as the Bank of England was concerned it was immaterial. It might have been more beneficial for the Country that the Circulation should have been higher.

4013. Do you suppose that of the 3,000,000 *l.* of Gold which left the Bank in 1845, 1,000,000 *l.* went to Scotland?

I am unable to say. The first Scotch Publication in the Gazette was 1,152,000 *l.*; perhaps a Million may have gone to Scotland.

4014. Would not that Million of Bullion have been in the Bank if it had not gone to Scotland?

Probably not.

4015. Why not?

I will suppose that the whole Amount of Gold Coin which we lost in 1845, viz. 3,700,000 *l.*, went to Scotland and Ireland. We had in the Bank at that Period about Fifteen Millions of Bullion; if this Amount had not gone to Scotland or Ireland, we should have held Eighteen Millions of Bullion. The Consequence would have been that our Reserve would have been extremely large, and we should have lowered the Rate of Interest, Money would have fallen in Value, and the Exchanges would have turned sooner, and a Portion of Gold would have returned to the Continent.

4016. But when the Pressure came in 1847 you would have been glad to have got that Million of Gold which went to Scotland back again?

On the contrary, I think it was very advantageous that the Gold remained in Ireland and Scotland to meet their own Wants.

4017. Would there have been any Demand for that Bullion in Scotland if it had not been for the Act of 1845?

I am unable to answer that Question.

4018. Do you think that Bullion was required for the internal Commerce of the Country, or for the Foreign Exchanges of that Country?

Certainly not for any Foreign Exchanges.

4019. You think it was principally needed for issuing Notes upon?

For issuing Notes upon.

4020. Supposing it has been stated to the Committee, that under the former System, the Bank Note Circulation of Scotland being above Three Millions, the Reserve of Specie in the Hands of the Bank amounted to no more than Three or Four hundred thousand Pounds, and that since the Act, the Circulation being about the same, the Reserve of Specie has amounted to about 1,300,000 *l.*, do you think that with reference to the Circulation of England, and the Issuing Department of the Bank, there is more Security under the present System, with that Reserve of Specie in Scotland, than there was under the former System?

Yes.

4021. Will you explain how you consider that the Act of 1845 has given greater Security to the Circulation of the Scotch Banks?

I conceive that the Banks in Scotland not being allowed to issue beyond a limited Amount, except upon Bullion, is a great Security against an Over-issue, and against the Probability of any Application being made to the Bank of England in Cases of Emergency.

4022. Did they before have recourse to the Bank of England?

When I say "to the Bank of England" I consider that in case of any Demand for Coin arising in the Country Application must be made to the Bank of England for the Supply. I do not mean to say that they apply directly to the Bank, but indirectly the Demand is supplied by the Bank.

4023. Taking the System previously to the passing of the Act of 1845, when the Circulation of Scotland was about 3,000,000 *l.*, and the Amount of Specie held there was not above Three or Four hundred thousand Pounds, with the Knowledge of those Facts, in a Time of great Pressure, political Panic, or other Embarrassment, in this Country or in Scotland, would you not, as Manager of the Bank of England, under the previous System, when you were responsible for the entire Establishment, necessarily have to look to the Possibility of such a Demand?

The Managers of the Bank have to look to the Demand from the whole of the United Kingdom; and under the Act of 1845 there is less Probability of a Pressure than previously.

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4024. Do you think that any Occasions are likely to occur as causing a Panic which have not occurred during the last Forty-eight Years,—during the present Century?

I think the Act of 1845 has had the same Effect in Scotland as the Act of 1844 has had in England; a certain Amount is allowed to be issued against Securities, the Remainder being issued against Gold and Silver. As Notes are paid into the Bank, so the Circulation contracts.

4025. Why do you suppose that a Panic is likely to occur in Scotland, when you have stated that you are not aware that there ever has been one?

I did not mean to say that a Panic was likely to occur.

4026. But you do not imagine that the Act of 1845 would have any Effect except against a Panic?

The Act of 1845 applies to Scotland in the same way that the Act of 1844 applies to England. If there is a Pressure by a Reduction in the Circulation it will be relieved by the Action of the Foreign Exchanges.

4027. You consider the Provision that the Scotch Banks shall retain a large Amount of Specie in their own Power to be so far a Security?

I consider the Limitation upon the Circulation to be a great Security. The Banks are limited to a certain Amount beyond which they can only issue upon Coin. The great Security of the Act of 1845 is the Limitation which it puts upon their Issues. The Banks in Scotland are scheduled at certain Amounts, and are not allowed to issue beyond that Limit except against a Reserve of Bullion.

4028. When they are allowed to issue Notes to the Amount of 3,100,000 *l.* without any Securities whatever, but merely at their own Discretion, do you think that the Limitation of the Issue of any further Notes by requiring it to be based upon a corresponding Quantity of Bullion is really any valid Security for the whole Circulation of Scotland?

The Amount being restricted on the same Principle as the Amount in England has been restricted is, I consider, great Security. The Act of 1844 restricts the Issue against Securities to Fourteen Millions. The Security is that should the Circulation fall so low as Fourteen Millions such Contraction in the Circulation would cause a Rise in the Exchanges and an Importation of Bullion.

4029. Has there been any Instance in which the Scotch Notes have been depreciated?

Not to my Knowledge.

4030. Has there been any Instance of any Loss occasioned to the Public by Joint Stock Bank Notes in Scotland?

Not that I am aware of.

4031. Then how do you consider that either for the Security of the Scotch Banks, or for the Security of those who avail themselves of the Scotch Notes, their holding of Gold is of any Importance?

I know so little of the Details of Scotch Banking that I am not able to say whether any Scotch Banks may have failed or not.

4032. You have taken it merely as a general Principle?

Merely as a general Principle. I can only speak of Scotch Banking upon general Principles, not being acquainted with the Details.

4033. As a Matter of general Principle you would say, that although no Failures may have taken place it would be obviously necessary for the Scotch Banks in a Time of Pressure to take Precautions.

Yes; they always do take Precautions?

4034. They can only take Precautions by enlarging their available Resources?

Realizing their available Securities.

4035. But if the Parties from whom they expect a Pressure would not require them to pay in Gold, but would be quite satisfied to take either their own Notes or Bank of England Notes, what Advantage is there in their holding that large Amount of Gold?

I am not aware whether that is the Case. I see from the Return of Coin held by the Banks of Scotland in the Year 1847, that between January and October they lost 267,000 *l.* of their Gold; the Coin fell from 1,385,000 *l.* to 1,109,000 *l.*

1,109,000*l.* In Ireland it fell from 2,608,000*l.* to 1,517,000*l.*, or about 1,090,000*l.* Therefore there were 1,366,000*l.* of Notes exchanged against Gold in Ireland and Scotland.

4036. But only 270,000*l.* in Scotland?
About 276,000*l.* in Scotland.

4037. Has there been very severe Pressure in the Money Market since the passing of the Act of 1845?
1847 was a Year of Pressure.

4038. As severe as any you have ever seen?
I think I have already stated that in 1825 my Impression is that it was more severe.

4039. Has the Act of 1845 made any Difference to the Bank of England as regards any Pressure upon it from the Scotch Banks?
I should say that it has relieved the Bank from Pressure.

4040. Has it in fact relieved the Bank?
My Impression is that it must have relieved the Bank, in consequence of the Quantity of Gold held in Scotland and Ireland.

4041. If that Gold was merely locked up in the Coffers of the Scotch Banks, how did it relieve the Bank of England?
According to the Statement to which I have just referred there was a Reduction to the Amount of 276,000*l.* in Scotland.

4042. How could the locking up in the Scotch Banks of 9,000,000*l.* of Gold beyond what they usually kept, have had any Effect in relieving the Bank of England, or in relieving the Pressure for Gold in England?
The Relief would be that the Notes which might have been exchanged for Gold would have been exchanged from Gold out of their own Coffers instead of out of the Coffers of the Bank of England.

4043. But supposing the Notes were not paid in for Gold?
Then the Bank would not have felt any Demand for Gold from that Quarter.

4044. Supposing the Scotch Banks were at any Moment of Pressure obliged to take Precautions by obtaining Gold from London, even though they had not occasion afterwards to use it, would not the Effect be the same upon the Circulation here as if all that Gold had actually been made use of by the Scotch Banks?
I have a Right to assume that if the Limitation had not been put to their Issues the 3,993,000*l.* which were issued against Coin would probably have been issued without a corresponding Reserve of Coin. In that Case the Banks would have been obliged to realize Securities for the Purpose of meeting any Demand upon them.

4045. But if they did not require Gold in Scotland, why should they have come upon the Bank of England for it?
But they appear to have required Gold. The Amount of Coin appears to have diminished between January and October 1847 in Scotland by 276,000*l.* and that in Ireland by 1,090,000*l.*, making together 1,366,000*l.*

4046. Then their Reserve of Gold was diminished to that Amount?
Yes.

4047. Might not that have been owing to the diminished Amount of their Notes in Circulation owing to Business being limited?
In England at that Period there was an Increase in the Notes.

4048. But in Scotland if the Business was limited they would not require to keep so large an Amount of Gold to meet the Issue of Notes?
Business in England was very much limited during October and November, still the Circulation was high, arising from a State of Panic. The same may have been the Case in Scotland.

4049. You have stated that by the Act of 1845 the Scotch Banks are obliged to keep a certain Amount of Gold to meet an increased Issue of Paper. Supposing that, owing to Business being limited, they did not require that increased

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Issue of Paper, they then might get rid of a certain Amount of Gold which was lying idle in their Coffers?

They would get rid of Gold by Notes coming in upon them, by the Reduction in the Issue of Notes, which was not the Case in England.

4050. Can you say whether or not it was the Case in Scotland?

In Scotland I cannot say.

4051. Do you know whether any Bullion is imported into Scotch Ports?

I have no Recollection of it. If it does, it will find its Way to London. All Bullion finds its Way to London for Sale.

4052. So that all such Transactions carried on between Scotland and Foreign Countries are generally effected in London?

As far as the precious Metals are concerned.

4053. And that would be the Case equally after the Act of 1845 as before?

Just the same.

4054. You stated that you considered Silver quite as available for the Convertibility of the Notes as Gold, as far as the Bank of England is concerned?

I am not aware whether I stated that it was equally convertible. I should rather have said, equally desirable. There is little Difficulty in converting Silver into Gold.

4055. Do you think that it is as available a Means for any other Bank in the Country as for the Bank of England for the Convertibility of their Notes?

I do not think that other Banks could afford to hold Silver Bullion. We only hold a certain Proportion. If there is a Demand upon us for Gold we sell Silver for the Purpose of withdrawing our Notes from Circulation.

4056 Do you think that any Advantage would be given to Country Banks if Silver Coin were made a legal Tender to the Amount of 5*l.*?

I am speaking of Silver Bullion. The Bank of England is not allowed to issue against Silver Coin.

4057. Supposing an Alteration in the Law were to take place by which Silver Coin was to be made a legal Tender to the Amount of 5*l.*?

I do not see any Advantage in it; it would tend to a Depreciation of the Currency?

4058. Would it not be an Advantage to many Bankers in the Country at a Time when there was a Run upon them?

I see no Advantage that it would give them.

4059. Would it be giving full Value for the Note?

It would not. Silver is a legal Tender only to the Value of 40*s.*

4060. Why should not it be a legal Tender to the Extent of 5*l.*?

It would be paying in a depreciated Currency.

4061. With regard to Scotland and Ireland, where there are 1*l.* Notes, those Notes are paid in that depreciated Currency?

They are.

4062. What Objection would there be to making the lowest Class of Notes in each Kingdom payable in that which is the Currency of the Country?

It is used only for small Payments.

4063. In fact it is merely a Token?

It is merely a Government Token.

4064. But as far as it is made a legal Tender under 40*s.* it ceases to be a Token and is Part of the legal Currency?

Yes; but it is useless for the Purpose of correcting the Exchanges.

4065. Some Questions have been put to you implying that there had been a considerable Limitation of Transactions in Scotland during the Summer of 1847, and that therefore the Circulation was not so great. Will you look at the Return now shown to you of the Circulation from 1845 to the End of 1847, and state whether that appears to have been the Case from those Figures?

The Amount of the Circulation seems to have been, on the 13th of December 1845, 3,469,000*l.*, and on the 3d of October 1847, 3,759,000*l.*

4066. Looking

4066. Looking at the Figures throughout the latter Part of 1847, does not it appear that the Circulation was higher than it was in 1845 and 1846?
About 400,000 *l.* higher.

4067. Therefore it is erroneous to assume that there was a Limitation of the Circulation in Scotland at that Period?
According to these Returns.

4068. They differ from the Statement you have made of a Reduction of 270,000 *l.* at that Period?
The 270,000 *l.* was upon the Gold. The Coin in the Banks in Scotland was diminished by 276,000 *l.*

4069. Do not you find, in looking at the Returns of the Scotch Banks, that at the Two Term Times of Whitsuntide and Martinmas the Circulation is greatly in excess of other Times?
On the 30th of May 1846 the Amount is 3,652,000 *l.*, which is higher than it was in December 1845.

4070. Do you not find that the Circulation is in excess at the Two Terms as compared with the intermediate Months?
Yes; in May and November.

4071. Then the Scotch Banks are obliged to keep Coin to meet that Excess of Issue at those Two Periods, which they need not keep to meet the Circulation of the intermediate Months?
Probably.

4072. Therefore during the intermediate Months the Coin is useless to them?
It does not follow that the Gold remains useless in their Vaults after those Periods. We occasionally receive Gold from Scotland. Generally speaking, I think there is a Demand for Gold from Scotland at the Term Times, and at other Periods the Gold returns to us.

4073. Is not the Variation in the Amount of Gold held in Scotland very small?
I cannot say.

4074. You have stated that you have not known the Scotch Bank Notes depreciated?
I have no Recollection of such being the Case; but I have paid so little Attention to Scotch Banking that I am not a competent Witness to speak to that.

4075. Are you aware of any Inconvenience that arose from the System of Scotch Banking, as bearing upon the Interests of the Bank of England anterior to the Act of 1845?
I have no Recollection of it.

4076. You have never known of any Difference in Value between the small Notes and the large Notes in Scotland?
I have no Knowledge of it.

4077. What Reason have you to suppose that there would be any Difference between the Value of a 5 *l.* Note and a 10 *l.* Note, if the 5 *l.* Note were payable in Silver and the 10 *l.* Note in Gold?
The Difference would be, that the 5 *l.* Note would be payable in a Coin depreciated about Eight per Cent. as compared with the 10 *l.* Note, which would be payable in Gold.

4078. Would not such a Relaxation be a Depreciation of the Standard to whatever Extent there may be a Variation between Gold and Silver?
Decidedly. If the Silver issued was to an Amount only sufficient to meet the wants for small Payments, it would maintain its nominal Value, but any extensive Issues beyond such Wants would be followed by a Depreciation in its Value.

4072. In the event of 5 *l.* Notes being payable in Silver as well as in Gold, would not that be a great Inducement to the Issuers of Paper to issue much

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larger Proportions of 5 *l.* Notes than higher Notes, they being payable in Bullion of an inferior Value?

I do not think it would make much Difference. The large Issues at present are in 5 *l.* and 10 *l.* Notes.

4080. Are not the 5 *l.* Notes almost exclusively confined to Circulation within the Kingdom?

Almost entirely; some circulate upon the Continent, but to a very small Amount.

4081. Not enough to have any Effect upon the Exchange?

The Exchanges are regulated by the whole Amount of the Circulation of the Country; if the Currency is depreciated, the Exchanges will be affected in the same Proportion.

4082. How would the Currency of the Country be more depreciated by the Principle of paying to the Extent of 5 *l.* in Silver, than it is in Scotland by the Principle of paying the 1 *l.* Notes in Silver, which form a large Proportion of the Paper Circulation?

I imagine that the Amount of Notes issued against Silver in Scotland must be very small. I should think they merely issue against Silver Coin retained for their smaller Payments. It is not Bank Notes which are sent abroad for the Purpose of correcting the Exchanges, but the Gold against which a Bank Note may be exchanged. If a 5 *l.* Bank of England Note is exchanged against Silver and the Silver is exported, there would be a Loss as compared with Gold to the Extent of about Eight per Cent.

4083. But the Bank would always have it at its Option to pay either in Gold or in Silver?

Supposing the Reserve of Gold was low, the Bank might avail itself of the Right of paying in Silver.

4084. Would not it come to this, that if a poor Man went with a 5 *l.* Note he would get less Value for his Money than if he went with Five Sovereigns?

Provided there was an Over-issue of Silver.

4085. You have stated that supposing the extra 3,000,000 *l.* of Gold which are in the Scotch and Irish Banks had been left in the Bank of England in the Issue Department, so as to raise your Amount of Gold to Seventeen or Eighteen Millions, you would have been obliged to lower the Rate of Interest. Why would you have been obliged to lower the Rate of Interest in that Case?

I was speaking of a Period when Gold was coming into the Country. In 1845 the Amount of Bullion we held was about 15,000,000 *l.* The Amount of Bullion that went to Ireland and Scotland was 3,000,000 *l.* If that Demand had not existed, the 3,000,000 *l.* of Gold might have been in the Coffers of the Bank; the Issue Department would have held 3,000,000 *l.* more Gold, and the Issues to the Public would have been 3,000,000 *l.* more in Notes; an Increase of 3,000,000 *l.* of Notes might have depreciated the Exchanges, and a Portion of the Gold would have gone out of the Country.

4086. You were understood to say that it would have obliged the Bank to lower their Rate of Interest; how would it have done so?

Our Reserve would have increased so considerably that we should have employed a large Portion of that Increase in our Reserve, and the Act of our doing so would have lowered the Value of Money.

4087. In order to have transacted Business you must have lowered your Rate of Interest?

Not to allow so large an Amount of Reserve to remain useless.

4088. That is of course looking to the Benefit of the Banking Department?

Looking to the Benefit of the Country in general.

4089. But also of the Proprietary?

If the Bank keeps a larger Amount of Reserve than is necessary to meet its Demands, that naturally Increases the Value of Money, keeps up the Exchanges, and causes a larger Importation of precious Metals into the Country than the Country requires; to that Extent there is a loss to the Country.

4090. But

4090. But is not it equally a Loss to the Country if the Gold is locked up in another Bank? Would not the same Effect be produced by those 3,000,000 *l.* being locked up in a Scotch Bank instead of in the Issue Department of the Bank of England?

It is only locked up in the Scotch Banks as a Protection for the Notes issued against it.

4091. It is merely a Security quoad the Notes?

Yes.

4092. But in Scotland, where no such Security is required, has not it practically the same Effect as if 3,000,000 *l.* of Gold were looked up in the Issue Department?

I cannot admit that such Security is not required in Scotland.

4093. But supposing it not to be, must not it have the same Effect as if the Gold were locked up in the Issue Department of the Bank of England?

I do not enter into that View.

4094. Then do you hold, that up to the year 1845, when the Banks in Scotland were obliged to have extra Gold, the whole of the System of Banking in Scotland was rotten and insecure?

I know so little practically of the System of Banking in Scotland that I am unable to answer that Question.

4095. You were understood to say that you could not admit the Supposition that that Security was not required in Scotland?

Looking at the Principles of the Acts of 1844 and 1845, it was established that a certain Amount of Notes might be issued, either according to a scheduled Amount, or against Securities, without endangering the Circulation of the Country, and that any Issue beyond such Amounts was to be made against Bullion. If the Amounts which have been limited are correct Amounts, I cannot assume that any further Amount ought to be allowed to be issued, except against Bullion.

4096. Then if a different State of Things existed for 100 Years before that Security was given, do you hold that that State of Things was wholly insecure and rotten?

I am not sufficiently acquainted with Scotch Banking to be able to answer that.

4097. You said that you could not admit that that State of Things could exist without great Insecurity?

It is insecure in this point of view: a certain Amount has been fixed at which Issues of Notes may be made without endangering the Circulation. Any Issues beyond that Amount may endanger the Circulation; consequently, such Issues should only be made against Bullion.

4908. If a State of Things existed without that Security which you say ought to exist, should you consider that State of Things as wholly insecure and rotten?

Whether there was Security before or not I cannot say. I believe there have been several Instances in which Scotland has had recourse to England for Assistance. I think that in 1836 and in 1839 (if that which I have been told is correct), a large Amount of Securities were realized in London for the Purpose of fortifying the Scotch Banks. That was probably in consequence of the Issues against Securities being larger than the Act of 1845 allows.

4099. Do you think that such a System as has been described could be at all secure in Scotland without the Existence of a System in England upon which Scotland could rely in Cases of Emergency?

I think not.

4100. You have stated that you do not understand the Scotch System of Banking?

I know very little about it.

4101. You are not aware that the Reason of Scotch Bankers requiring Assistance is not account of their Issue of Notes but on account of their large Transactions of Accommodation?

Very likely.

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4102. But if the Knowledge that a certain Proportion of Bullion is kept in reserve has an Effect upon the public Mind, whether in Scotland or in England, do not you consider that that reserve of Bullion, although not in active Circulation, is of considerable Consequence to the Monetary System of the Country?
Yes, I do.

4103. Have you heard that in Scotland they have greater Confidence in their Banks since the passing of the Act of 1845?
No, I have not.

4014. Previously to the passing of the Act of 1845, are you aware of the Scotch Banks ever having applied to the Bank of England for Assistance?
I have no recollection of their applying directly for Assistance.

4105. Since the passing of the Act of 1845 have the Scotch Banks applied for Assistance?
I think there has been Two Instances.

The Witnesses are directed to withdraw.

Ordered, That this Committee be adjourned to Monday the 19th instant, Two o'Clock.

Die Lunæ, 19° *Junii* 1848.

The LORD PRESIDENT in the Chair.

JOHN M'DONNELL Esquire, Governor of the Bank of Ireland, is called in, and examined as follows:

4106. You are Governor of the Bank of Ireland?
I am.

4107. How long have you filled that office?
Since the Election in last April, only Part of this Year.

4108. You have probably been a Director of the Bank of Ireland a much longer Time?
Yes, for some Years.

4109. Can you state at what Time you became connected with the Bank of Ireland?
I suppose, speaking from Recollection, about the Year 1831 or 1832.

4110. Had you occasion to become acquainted with the State of commercial Affairs in Ireland, as connected with the Crisis which took place in England at the Commencement and in the latter Period of the last Year?
Yes, it was very notorious; we were not, as Bankers, materially affected by it, but the Occurrences were too important for us not to be acquainted with them.

4111. But, in your official capacity as Governor or Director of the Bank, had you occasion to know the Effect that was produced by that State of Things upon mercantile Affairs in Ireland, as regards any Distress or Inconvenience which may have been occasioned either to Commerce generally or to Individuals?
I should not think that there was any Inconvenience arising from Want of Means. I think no Person was refused fair Accommodation who had a Bill such as offered Security,—a Bill that had been passed for what we considered a legitimate Purpose, not for wild Speculation; a good deal of that took place; but no Person was refused if he had such Security as we approved of.

4112. You did not find any sensible Alteration in the Number of Applications made for Assistance in consequence?
I do not think there were many new Applications; they might have been more numerous in some Cases from our Customers, from those that had Accounts at the Bank; but I doubt whether we had, immediately as regards Ireland, many new Applications. I do not remember that we had.

4113. Then in fact you do not consider the commercial Pressure which notoriously existed at the Time in England to have had any considerable Effect upon the Transactions of Irish Merchants and Speculators?
Such as became Speculators were affected, such as engaged in the Trade that was opened at the Time in the Purchase of Corn; it was the Result of Orders sent out for Corn to a great Extent that was felt in Ireland.

4114. Did that Amount of Suffering or apprehended Suffering lead to a greater Pressure than usual upon you for Advances and Discounts?
I think, with regard to the Pressure, that it would be seen by the Amount of Notes in Circulation about that Time that there was no material Diminution nor any great Increase of them.

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4115. Did you in point of fact make any Alteration in the usual Course of your Proceedings with respect to Advances and Discounts?

I do not think that we were applied to by many Parties who, not having an Account previously, resorted to us for Money. I think there were some Bills presented to us coming through Scotland; the Parties so applying thought that Money might be more plentiful in Dublin than in Scotland; but we were obliged at the Time to refuse them, for we did not consider these Applications legitimate.

4116. But you did not refuse Applications which you would under ordinary Circumstances have attended to?

Never. On reference to my Notes I do not find that the Amount of the Circulation was materially increased by Applications for Discounts at that Time, nor was it materially diminished.

4117. Will you be so good as to state any Variations that took place in the course of last Year?

In January 1846 the Amount of our Notes in Circulation was 4,300,000 *l.* I find that in October 1846 some little Increase had taken place; they amounted to 4,430,000 *l.*

4118. Can you state what was the Amount of Notes in 1844?

In April 1844 the Amount in Circulation was 3,647,000 *l.*

4119. What was the Amount of your Limitation under the Act of 1845?

I think 3,760,000 *l.*, or thereabouts.

4120. Has there been since the Introduction of the Act any Excess of the Limit?

No, never any Excess that was not amply covered by Specie.

4121. What Amount of Gold and Silver Coin did you hold at the Time that your Circulation was what you have stated in January 1846?

I am not prepared to say exactly the Amount; (about 1,260,000 *l.*)

4122. Can you state the Amount of Specie which you held at any one Time at which you have given the Amount of the Circulation?

I doubt whether I should be safe in stating the exact Amount, but I can say with great Safety that any Excess of that Circulation was based on Gold.

4123. Is not the Limitation under the Act of 1845 the average Amount of Circulation as ascertained at that Time, plus an Amount equal to the Gold and Silver Coin which you hold as Bankers?

Our Circulation is limited to a certain Amount by the Statute. If we are called upon to issue a greater Amount than that, we should have Gold to meet it. We should not be justified in issuing Notes if we exceeded the statutable Limitation, except upon Specie.

4124. The Issue in Excess above the statutable Limitation is represented by the Amount of Gold and Silver Coin which you hold?

Exactly.

4125. Practically, since the passing of the Act have the Issues exceeded the Amount of the statutable Limitation, plus the Gold and Silver Coin which you had then in your Possession?

No, certainly not.

4126. Will you have the goodness to state whether, in the Years 1846 and 1847, you made any, and if any what, Variations in the Rate of Discount at the Bank of Ireland?

I have a Paper which will show it exactly; but I am not able from Memory to state that.

4127. Were there considerable Variations in the Rate of Discount at the Bank of Ireland during those Years?

Yes, there were some considerable Variations; but, as regards the Bank of Ireland, we uniformly governed the Rate of our Discounts by that which was the Rate of the Bank of England.

4128. Do you feel that to be absolutely necessary for the Transaction of your Business as Bankers in Ireland?

It could not be carried on otherwise; we should not be safe otherwise.

4129. In the event of your reducing your Rate of Discount in Dublin lower than the Rate of Discount which prevails in England, what would be the Consequence to you as Bankers?

The Consequence would be to us, that if we gave Cash for the Bills that would be presented to us under such Circumstances, which would come from Scotland and from England perhaps, we should have very little to accommodate our own Customers with. Our Funds would very soon be exhausted if we kept a lower Rate of Discount in Ireland than that in England.

4130. Did it not happen upon one Occasion that after the raising of the Rate of Interest by the Bank of England, for a short Time the Bank of Ireland did not raise its Rate of Discount to a corresponding Rate, and that consequently Bills came over from England, and was not the Bank compelled in its own Defence to raise its Rate of Discount to the same Rate as that in England?

I doubt whether any Time elapsed beyond a few Days before we got Information of it, and were apprised of the Rate of Interest in London.

4131. In those few Days, supposing them more or less, was not the Consequence found to be that English Paper naturally found its Way into the cheapest Market, and that the Discounts which would have been granted in England at a higher Rate of Interest were in Ireland procured at a lower Rate?

I doubt whether that could have been to any Extent, for more than a few Days.

4132. As long as it existed was not that the Consequence?

No doubt. Wherever Money can be had cheapest there it will be looked for.

4133. May the Committee infer from that that the commercial Transactions of the Two Countries are so intimately connected that the Rate of Interest which governs the one acts with considerable Promptitude of Effect upon the other?

Most inevitably that must be the Result.

4134. The Committee have before them the Rate of Discount which prevailed in the Bank of England, and in the Money Market of London, in the Years 1846 and 1847; are you able to state whether there was an Approximation to a corresponding Variation in the Bank of Ireland?

I think uniformly, with the Exception that there might be a few Days when the Rate of Interest at the Bank of Ireland might be at a lower Rate than that of the Bank of England.

4135. Supposing any Circumstances to render the Withdrawal of Notes necessary in England, would not the Bank of Ireland view the Transactions of the Bank of England as a Guide for the Management of their own Affairs?

It would be a very sufficient Indication that they ought to do the same, and I have no Doubt that they would do so promptly.

4136. You are aware of the monetary Pressure which occurred in this Country in the Months of April and October 1847; was there any corresponding Pressure felt in Ireland at that Time?

There was, no doubt.

4137. Do you think that arose out of any local Circumstances in Ireland, or did it arise out of that intimate Connexion which you have described to exist between the State of the Circulation in Ireland and in England?

I think it might have been influenced considerably by the Circumstances in which we were placed, but the Pressure which has been alluded to in England could not have existed for any considerable Time, without having a corresponding Effect in Dublin or in Ireland. We always feel when any Pressure takes place in England that it is necessary for us to make such corresponding Arrangements as will enable us to meet that Pressure. We do not pretend to relieve it; we have not Money to do so; but we are always prepared to act on

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the prudent Side, and to endeavour to afford all the Accommodation we can under the Circumstances.

4138. Do you consider that it would be possible for the Bank of Ireland to issue a considerable Amount of Paper, say to the full Extent of its Power, under the Act of 1845, at a Period when the Circulation of England was very much restrained?

It would be very unwise and dangerous to do so.

4139. From your past Experience are you able to say whether it would lead to an increased Demand upon you for Discounts, which if satisfied would probably lead to an Export of Specie from Ireland to England?

The Exchange that exists between England and Ireland seldom fluctuates beyond, I think, from One Eighth to One Fourth per Cent.; but if the Rate of Discount in Dublin were One per Cent., or even One Half per Cent., lower than in London, it would lead eventually to the Exportation of Gold from Dublin.

4140. Therefore, practically speaking, you are governed by the beating of the great commercial Heart of the Money Market of London?

Unquestionably.

4141. Do you direct your Attention to the Rate of Interest established by the Bank of England, or do you regulate your own Rate by any other Test?

We look regularly at the Returns published by the Bank of England, and if we find that there is a Diminution in their Stock of Gold we have an Eye to what is passing, and we immediately govern our Transactions in unison with that State of Things.

4142. The Question refers to your Rate of Interest upon Discounts; do you endeavour to keep your Rate of Discount at the same Point as that established by the Bank of England at any given Time?

I think that possibly it may not always be in our Power to be guided by the Bank of England; for example, this Morning,—Monday,—we might have some Account of a Change in London as affecting Banking, and the Board might not meet immediately, but as soon as we have met we always take care to be guided by it.

4143. Supposing the Bank of England were to lower its Rate of Discount, and at the same Time there was a Demand for Accommodation in Ireland which would seem to justify the Continuance of a higher Rate of Discount, what Course would you then pursue?

We should lower our Rate gradually according to Circumstances.

4144. To the same Point?

To the same Point ultimately perhaps. We have Two Rates of Discount in Dublin, one applicable to Irish Bills, the other applicable to English Bills; we always do English Bills at a little less than Irish, because they are considered more valuable for our Purposes than Irish Bills.

4145. Will you be so good as to explain in what respect they are more valuable, and why you make that Distinction?

We are always obliged to have a considerable Sum in London for our Purposes, in the Bank of England and elsewhere, and we find that the most convenient Mode of maintaining a Cash Balance in London is by remitting English Bills.

4146. Is there not also this Reason that gives a Preference to English Bills, that, as a great Amount of Irish Traffic centres in England, you have a much greater Certainty of getting Bills which represent real Transactions when they are what are termed English Bills than when they are inland Bills of Ireland?

That is the Fact.

4147. Will you state by what Rule you regulate your Rate of Discounts for the Irish Portion of your Transactions?

I think we make about a Half per Cent. Difference between English and Irish Bills; if the Rate on English were Three and a Half per Cent. Discount it would be Four on Irish Bills.

4148. Supposing

4148. Supposing your Rate of Discount at this Moment to be lowered to Three and a Half per Cent. upon English Bills, to correspond with the Rate of the Bank of England, and supposing the Market Rate of Discount in Dublin to be Four and a Half per Cent. for Irish Transactions, how would you judge whether or not it was desirable to reduce your Irish Rate of Discount to Four per Cent.?

I think that would be about the Rate; it could not be dropped at once to Three and a Half; I suppose it would fall to Four.

4149. Then would there be a simultaneous Alteration in the Irish Rate of Discount?

I think we should reduce the Discount on Irish Bills also.

4150. Supposing that at the Time when you made this Change, in correspondence with the Bank of England, by lowering your Rate a Half per Cent., say to Three and a Half per Cent., as it is now, still the Value of Money in Ireland was such as to render the Market Rate One per Cent. higher,—if you were to lower your Irish Rate of Discount, as you say, at the same time as you lowered your Rate upon English Transactions, how would you avoid the Consequence to which you alluded of attracting a very large and inconvenient Amount of Demand upon you?

Supposing the Rate of Discount in Dublin last Week upon English Bills to have been Four and a Half per Cent., I would not wish to be understood as saying that the Bank of Ireland would drop that high Rate at once to Three and a Half. I think they would lower it to Four.

4151. But supposing that you lowered your Rate of Interest in correspondence with the Rate of the Bank of England, but that the Value of Money in Ireland at the Time was such as to make the Rate One per Cent. higher in the Market, and supposing that at the same Time you reduced your Interest upon English Transactions you also reduced your Interest upon Irish Transactions, how would you avoid the Consequence of attracting to yourselves an inconvenient Amount of Demand, such as that to which you alluded before?

If the Demand were from England or from Scotland we should not consider that we were called upon to accede to it. We should look at the Nature of the Application, to see whether it was such as we ought to meet. For my own Part I should hesitate to comply with it. I should look at the Quantity of Bills that came. I should look to see whether they came through Glasgow, or through other Places where the Parties had no Claim upon us; and if so, they should be refused.

4152. In that Case you would lower the Rate of Interest, but at the same Time you would exercise a certain Discrimination with respect to the Bills which you discounted?

I think that would be our Mode of Action.

4153. Might not one Consequence of that be that you would be contracting your Discounts at a Time when you were lowering the Interest of Money?

No; it would not be contracting our regular Discounts; we should look to the Accommodation of our Irish Customers. We should consider that the Applications to which I have alluded were not exactly such as we ought to entertain.

4154. Would you under the Circumstances referred to refuse Paper which if the Rate of Interest had been higher you would have accepted?

No. I should say that that would not influence the Transaction; for it would be perhaps very inconvenient to give a great deal of Money on Paper of that kind, though the Paper might be perfectly solvent Paper. Our Object is not altogether the Rate of Discounts. We are impelled by other Considerations to act in a Way that Prudence and a Sense of the Obligation upon us would require.

4155. When you use the Phrase "English Bills" do you mean London Bills, or do you mean Bills coming from any Part of Great Britain?

I mean Bills payable in England. If the Demand came from England or Scotland, it would appear to us rather unnatural; we should apprehend that there was some Discredit on the Bill, or that we were discounting too low.

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4156. With regard to the different Rates of Interest charged upon Irish and upon English Bills, upon which is it that the higher Rate of Interest is charged?

On Irish Bills; Bills made in Ireland and payable in Ireland.

4157. You were understood to say that you were in the habit of regulating your Rate of Discount upon English Transactions by the Rate of the Bank of England?

Yes, as a general Rule; but lest I should be misunderstood I would beg to observe that the Bank of Ireland does not profess to discount English Bills coming from England. What I meant in my former Replies was, that the Rate of Discount in Dublin on English Bills,—that is, Bills originating in Ireland, drawn on London or drawn upon any other Town in England,—is lower than the Rate of Discount on Irish Bills.

4158. You are in the habit of regulating the Rate of Discount at which you receive and discount Bills drawn upon England by the Rate of the Bank of England?

Yes.

4159. Supposing the Bank of England lowers its Rate of Discount, do you lower your Rate of Discount for those Bills?

We must do it. If we did not, instead of the Bank of Ireland getting them they would be sent to where they would be done at a cheaper Rate.

4160. Supposing that at that Time the Value of Money was such as to keep the Rate of Interest for internal Transactions in Ireland at a higher Point, how would you regulate your Rate of Interest for those Transactions? If you lower your Rate when the Bank of England lowers its Rate for Bills drawn upon England, how do you regulate your Rate for internal Irish Transactions?

We lower it to a generally corresponding Rate. We seldom keep up such a Disparity as One per Cent.

4161. Supposing when you have lowered your Rate in correspondence with the Bank of England for Bills drawn upon England One Half per Cent., yet that the Rate of Discount in the Market in Ireland does not fall One Half per Cent. (although you have lowered your Rate at the Time), how do you escape the Inconvenience of having a large Amount of Demand brought upon you for Irish Bills?

If excessive Demands were made upon us for Discounts I do not think we should be likely to meet them. We must put some Limit to our Operations.

4162. In that Case, if by lowering your Rate of Discount upon Irish Transactions you found that you had lowered your Rate below that which generally prevailed, you would try to avoid the Inconveniences which such a Course might produce by exercising a Discrimination with respect to the Bills which you received?

The Matter would very soon cure itself, for if we acted in that Way we should very soon be obliged to raise the Rate of Discount. We should bring Demands upon us which we could not meet.

4163. Then your Rate of Interest might be rising in Dublin while it was falling in London?

I am afraid I have not been understood by the Terms "English Bills," and "Irish Bills." They are quite familiar to me, but I doubt whether they are understood. A Bill originating in Ireland and payable in Ireland I call an Irish Bill. But much of the Produce of Ireland is converted into English Bills. What I call an English Bill is a Bill for an Export Transaction to England; it assumes the Shape of an English Bill because it is drawn on England and payable there.

4164. Are the Committee to understand that the Rate of Interest upon Discounts in your Establishment is primarily regulated not by the Market in Dublin, but artificially, by a Correspondence with the Bank of England?

I should not say "artificially;" it is influenced directly by the Rate of Discount in England. But I am afraid I have caused some Confusion by the Terms which I have used. An Irish Bill we consider not so valuable generally as

as an English Bill. We have generally better Parties to English Bills drawn for Value based on Exports; they also answer our Purpose better, and therefore we charge a lower Rate of Discount on them. An Irish Bill is a Bill which originates in Ireland, and is payable in Ireland; and it is generally between one Shopkeeper and another, or between a Party in Dublin and a Country Shopkeeper.

4165. Bills for inland Transactions?
Entirely for inland Transactions.

4166. At your Branch Banks, and in the Bank of Ireland in Dublin, is there not sometimes a much greater Demand for Discounts than there is at other Times?
At certain Periods there is; for instance, in the Butter Season, when Butter comes to Market largely, in some of the Counties there are frequent Applications for the Discount of Bills of that kind. Those we call English Bills, because they are drawn in Ireland upon Houses in England which purchase the Butter.

4167. But are not there other Bills which are not English Bills, but are what you call Irish inland Bills, which are at some Seasons and under some Circumstances presented in greater Numbers for Discount at the Branch Banks throughout the Country than at others?
In Districts where there are great Markets there are a considerable Number of Bills; perhaps a Farmer may sell the Produce of his Farm,—his Wheat or his Oats,—to a Party who ultimately sells it to the English Exporter. In the first instance the Bill may be between Two Parties in Ireland, but if the Bill assumes the Shape of an Export Bill to England, then I call that an English Bill, and it would come under the lower Rate of Interest.

4168. The Question refers to the Paper which you discount, not only in Dublin, but in all Parts of Ireland; does the Rate of Interest ever cause you either to contract or to increase the Accommodation which you afford?
I should say that the mere Contemplation of getting a larger Discount on a Bill would not govern the Transaction.

4169. Can you state whether there are Houses in Dublin that discount on any considerable Scale, independently of the Bank of Ireland?
No doubt there are.

4170. To any large Extent?
There are Two or Three Houses.

4171. Do you apprehend that they generally discount at the same Rate at which the Bank does, or that they make any Difference?
They may be influenced by the Quality of the Bill. We may consider that a Bill is a Bill not deserving the lower Rate of Interest; and then they may get Bills that we would not take. I do not mean to say that they are so imprudent as to do so; we are not aware whether they do or not, nor are we influenced by the Rates of other Banks generally; but when we find that they are discounting lower, we must suppose that there is some Reason for it.

4172. Would not they be influenced by the same Relation to the English Market as you would, and if they lowered their Rate below the English Rate, would not that produce the same Consequences as affecting their Establishments which you have described as affecting yours?
No doubt; Bills would not be presented to us if they could get them discounted for less elsewhere.

4173. Amongst the Papers which have been laid from the Bank of Ireland before the Committee, there is a Statement of your Liabilities and Assets Accounts. From those Returns the following Results are deducible: On the 3d of October 1846 the Amount of your Circulation was 4,267,200 *l.*, and on the 2d of October 1847 it was 3,204,800 *l.*, making a Difference of 1,062,400 *l.*; on the 9th of October 1847, as compared with the 10th of October 1846, with the same Circulation, there is a Difference of 1,099,300 *l.*; on the 16th of October 1847, as compared with the 17th of October 1846, there is a Difference of 1,129,700 *l.*; on the 23d of October 1847, as compared with the 24th of

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October 1846, there is a Difference of 1,134,900 *l.*; and on the 30th of October 1847, as compared with the 31st of October 1846, there is a Difference of 1,174,000 *l.* Now this Reduction in the Year 1847 appears to have been consecutive during those Periods, so that during that Time your Circulation was reduced nearly 25 per Cent. To what Circumstances do you attribute that Reduction?

The Year 1846, I think, was a Year of great apparent Prosperity. There was a high Price generally for Corn; and I do not know in what Manner I can account for the Increase of our Circulation unless by the Extent of Business done at that Time.

4174. As to the Diminution in the Circulation in the subsequent Year, to what Circumstances do you attribute the Diminution to so great an Extent of the Circulation in the Year 1847?

I am not prepared at the Moment to account for it. I do not like to hazard a mere Opinion; but I should attribute it to the diminished State of Trade. That is the only Way I can account for it.

4175. There appears to have been a Reduction in the Amount of Deposits at the same Time also?

That would follow as a matter of course almost.

4176. Does it follow as a matter of course that there was a greater Pressure upon the Trade of Ireland in the Year 1847 than in the Year 1846?

No doubt there was.

4177. To what Circumstances do you attribute that?

The Pressure arose in 1847 from the previous Failure of the Potato Crop, which disturbed almost every mercantile Operation in Ireland. I know no other Mode of accounting for it.

4178. Was not the great Failure of the Potato Crop in 1846?

I think the great Failure was in the latter End of 1846. The Mischief and Inconvenience arising from the Failure of the Potato Crop was continuous for a considerable Time. It may not have affected the Circulation suddenly.

4179. It did not affect your Circulation till 1847?

No doubt.

4180. And in 1847 there was superadded the Failure of the Potato Crop in that Year?

The Effect was more severe in 1847, I think.

4181. But the same Contrast appears to have been continued by comparing the remaining Months of the Two Years. On the 6th of November 1847, as compared with the 7th of November 1846, the Difference was 1,188,000 *l.*; on the 13th of November 1847, as compared with the 14th of November 1846, it was 1,205,100 *l.*; on the 20th of November 1847, as compared with the 21st of November 1846, it was 1,220,100 *l.*; and on the 27th of November 1847, as compared with the 28th of November 1846, it was 1,211,000 *l.* Were there any other Circumstances beyond the Potato Crop to which you would attribute that?

The Pressure that applied to all mercantile Transactions, and the Diminution of agricultural Exports must have diminished materially the Amount of Bills. If such Bills as were admissible by the Bank of Ireland diminished, as they must have done, that would account I think for the Difference between the Amount of Circulation in 1846 and in 1847. I see no other Mode of accounting for it.

4182. You stated that the Amount of your permitted Issue was 3,760,000 *l.* On what Security is that permitted?

The Act of 1845 does not require Security from the Banks for their permitted or certified Amounts of Circulation, and which Amounts were regulated and fixed by the average Circulation of each Bank during the Year prior to the passing of the Act. I may observe, however, that Government holds above 2,500,000 *l.* of the Capital of the Bank of Ireland.

4183. During the whole Period of Pressure you had no Notes out on Gold?

They were not required subsequent to April 1847.

4184. You

4184. You drew in your Circulation within the Amount you were permitted to issue under the Act of 1845?

I think it was not our Wish to withdraw the Circulation, but it was the Consequence of the State of mercantile Affairs.

4185. Do you mean that there was no Demand made upon you for Advances?

I do not remember a single legitimate Application made to the Bank of Ireland for Discount of Bills which was refused. I do not think that in the Case of any Bill in the Hands of a Party deserving Credit, and who we might have considered got the Bill in a legitimate Way for such an Object as the Bank of Ireland ought not to be opposed to, there was a single Application refused.

4186. In fact you had Abundance of Means if there had been Abundance of Applications?

That was the Fact.

4187. If those Applications had been of a sound Kind it would have been for the pecuniary Interest of the Bank to have complied with them?

Yes.

4188. Then that Falling-off in those Bills was a Falling-off in the mercantile Transactions of the Country during that Period?

That is the View I take of it.

4189. Does the Bank of Ireland hold the Deposits for any of the Savings Banks in Ireland?

It is the Duty of the Savings Banks (as well as I understand the Act) throughout the Country, after taking Deposits, when they accumulate to an Amount not immediately required for the Payments out, to transmit the Surplus to the Bank of Ireland; and at the same Time that they so transmit to the Bank of Ireland the Surplus which they do not require, they ought to advise the Commissioners for the Reduction of the National Debt how much they have sent to the Bank of Ireland. The Operation then would be for the Commissioners for the Reduction of the National Debt to call on the Bank of Ireland to transmit the entire of those Sums to London except what is required for every-day Purposes, and there the Amount ultimately rests.

4190. Do you know whether there has or has not within the last Twelve or Eighteen Months been a great Demand upon the Savings Banks for Deposits to be repaid to the Depositors?

To a considerable Extent; within the last Three or Four Months more particularly.

4191. But not to any great Extent prior to that?

I should say not to any great Extent. But there was much Uneasiness felt; some Failures took place of Savings Banks, and the People got frightened; when they found that some of the Savings Banks had failed they got uneasy, and there was a Run.

4192. Has that been very extensive?

I think to a considerable Extent.

4193. Has not it rendered it expedient to transmit Gold to Ireland?

Yes; in order to be prepared for what we thought would have been to a greater Extent we were obliged to import about Four or Five hundred thousand Sovereigns to meet the Demand.

4194. That was to meet what you thought might be a Run upon the Savings Banks of the Country?

To be prepared for that we imported between Four and Five hundred thousand Sovereigns; we did not require so much, but we thought it wise to have it.

4195. Do you import any Gold into Ireland, except Sovereigns, from England?

No, we import no Bullion.

4196. No Bars of Gold?

No.

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4197. Nor Silver Bullion?
No.

4198. Are you entitled, under the Act of 1845, to take Credit in your Returns for Silver Coin as well as Gold Coin?
A proportionate Credit to a certain Amount; say One Fourth of the entire.

4199. Have you any Notes but 1*l.* Notes under 5*l.*?
No. We were restricted from issuing fractional Notes,—30*s.* Notes. We apprehended some Inconvenience from that; and we imported a considerable Quantity of Silver, and a good many Half Sovereigns, which we thought would meet the Withdrawal of our 30*s.* Notes.

4200. Your 1*l.* Notes are payable in the Silver Currency which you are entitled to hold as a Deposit?
They are paid as the Parties like. Under a certain Sum Payment may be made in Silver.

4201. At the Time of the Arrangements for the passing of the Act in 1845 the Bank of Ireland resigned certain Privileges?
The Act of 1845 deprived us of a Privilege that we had, and which we considered might have been of use to the Country, and which I still think might have been of use to the Country. It was withdrawing the Power which we had of preventing Joint Stock Banks of Issue within Fifty Irish Miles of Dublin. We were deprived of that Privilege under the late Act.

4202. That is to say, the Bank of Ireland resigned it?
It was taken from us. Under the Act no new Bank of Issue could be created.

4203. What have been the Consequences of the Withdrawal of that Privilege?
I think we had the Power to some Extent of controlling the Issues. If we saw, as we often thought we saw, that the Circulation was too full, for example, it was our Duty, and a Duty to which we always attended, to endeavour to check that, with a view to the Safety of the Public.

4204. Has there been any Inconvenience observable from the Withdrawal of that Power from the Bank of Ireland?
I think very trifling. I think the Inconvenience was to the Public more than to the Bank of Ireland.

4205. In what respect?
If the Circulation was of a Quality that ought not to be encouraged,—if we found it excessive,—it deprived us of some Power which we might have had under that Restriction of checking it.

4206. Do you think, as a Matter of Fact, that there has been such Inconvenience felt in Ireland since the passing of the Act of 1845?
I do not believe that any has arisen.

4207. Looking back to the State of things anterior to the passing of the Act of 1845, are you able to state to the Committee whether there was or was not very considerable Inconvenience felt at various Times from the low Quality of the Notes that were put into Circulation?
The Public suffered very materially from Time to Time by Banks of Issue that ought not to have been encouraged.

4208. Were not there Cases given in Evidence on behalf of the Bank of Ireland at that Time of Persons setting up Joint Stock Banks in Ireland, and issuing Notes, and forming a Company, which was found to consist of the Engraver and the Printer, with very few Confederates?
I think that Parties put forward Banks at that Time that had not more Property than Mechanics, and People of that kind. I recollect some Circumstances that arose, showing the Way in which they got them up. They contrived to get a Pound or two from Persons, and promised them the Discount of a Bill for 10*l.*, which they cashed in their own Notes, and when the Bill became due they endeavoured to get it paid in other Notes. There was a great Abuse of the Power of Banking.

4209. Do you think that such Operations as that could take place after the passing of the Act of 1845, even supposing that that Act had contained no Limitation as to the Establishment of new Banks?

I think certainly it would be a good while before the Public would give them Credit again.

4210. Comparing the present with the former State of the Law, with respect to permitting such outrageous Speculations as those which you have described, has not in that respect the Act of 1845 been productive of Benefit to Ireland?

I think it has.

4211. Does the Amount of Gold Specie and Coin which you are required to keep under the Act of 1845, and which you have kept since the passing of that Act, differ in any material Degree from the Amount of Specie which you kept anterior to the passing of that Act?

I should say that we kept more Gold with reference to our Circulation than we have done latterly; but we have always had a large Amount of Money in London available for any Contingency.

4212. Therefore in that respect the Act of 1845 has imposed no additional Burden upon you, nor any Impediment upon your Banking Operations?

I should say not. I should say that we have not felt any Inconvenience from it.

4213. You spoke of the Abolition of the fractional Notes, namely, those representing Sums between Pound and Pound, such as 30 *s.* Notes. Was not the Effect of that Abolition to create a Necessity for a larger Amount of Silver Currency?

That was the Effect; and apprehending that, we brought over a considerable Quantity of Silver Currency and Half Sovereigns to make up the Difference between 1 *l.* and 30 *s.*

4214. Viewing the late Events which have occurred in Ireland, as well as viewing the Progress of Ireland in the Development of its internal Powers of Production, was not it a Matter of very great Importance that the Amount of Silver Currency kept in Circulation should be increased beyond what it was at the Time of your fractional Notes?

Independently of the Suppression or Abolition of the 30 *s.* Notes by reason of the Circumstances that arose out of the Famine with reference to the Payment of the Wages of Parties employed on the Public Works, a large Quantity of Silver was necessary for that Purpose, and we got a very considerable Quantity.

4215. Do not you think that the Demand for Silver has very much of a periodical Character? Do you find in your Banking Transactions an Excess of Silver at one Time in your own Coffers, and a Demand upon you for Silver at another?

Yes. At the present Moment we have a great deal too much Silver.

4216. Is not that inconvenient to the Bank?

It is, with reference to available Capital.

4217. Is not that Inconvenience lessened by reason of the Provision in the Act of 1845, which by the Abolition of the fractional Notes compels People in the Country to keep a larger Amount of Silver in active Circulation?

I think that that Effect may in some degree arise from the Act.

4218. In that respect you consider it to be advantageous?

I think it is desirable that as much Specie as can be required for the Purpose of Trade should be in the Hands of the Public.

4219. Then are the Committee to understand that, as far as regards the Regulation of your own Transactions, the Act of 1845 has not produced any inconvenient Pressure upon the Bank of Ireland?

I think I may fairly say that it has not, with the Exception of depriving the Bank of Ireland of the controlling Power, within the Limits that I have mentioned.

John M'Donnell, Esq.

19th June 1848.

4220. So far as your own Establishment is concerned it would appear by the Accounts that you have had rather a smaller Proportion of Bullion to your Circulation since the passing of the Act than you had before?

We do not know what Demand there may be. The State of the Country has been such latterly that we do not know the Circumstances that may arise to make it necessary to bring Gold in. We have made Arrangements, having the Money in London, to get it at once if there be any Necessity; the Facility of getting it to Liverpool, and across to Ireland, now is such that it is immaterial whether a surplus Deposit of Gold is in Dublin or in London.

4221. When you had occasion to bring over for Savings Banks Purposes the Four or Five hundred thousand Pounds which you alluded to, how was that realized in London; was it realized by the Sale of Securities, or by drawing upon your London Balance, or any other Way?

We got Credit in our London Account from the Commissioners of the National Debt for such Sums as we were called on to provide for the Savings Banks in Ireland.

4222. Who lodged that Credit?

The Treasury or the National Debt Commissioners.

4223. The Treasury in that Case were indebted to you to that Extent?

No doubt.

4224. And being indebted to you to that Extent, you realized that Debt in England, and you remitted the Amount in Gold to Ireland?

Yes.

4225. But supposing there was a Period when you had no such Government Debt to resort to, what Resources would the Bank of Ireland rely upon for the Purpose of securing a Supply of Gold in Dublin to meet their Engagements?

The Bank could not be required to supply Gold to Savings Banks Depositors unless the Money had been previously lodged by the National Debt Commissioners to meet the Demands.

4226. The Question does not refer to the Savings Banks Demand; but supposing that for the Purpose of meeting the Engagements of the Bank of Ireland you found it necessary to recruit your Balance of Gold in Dublin, what Steps should you take for that Purpose?

We should draw on our Cash Balances in London, and if necessary realize a Portion of our Exchequer Bills or other Government Securities.

4227. In the London Market?

Yes.

4228. The Bank of Ireland are possessed of considerable Funded Property?

Yes, to a considerable Amount.

4229. In the event of your not finding your Bills immediately convertible in London would you resort to your Funded Property?

We should sell our Securities to meet Circumstances such as have been mentioned; we never re-discount Bills of Exchange.

The Witness is directed to withdraw.

R. Murray, Esq.

ROBERT MURRAY Esquire is called in, and examined as follows:

4230. You are Manager of the Provincial Bank of Ireland?

I am.

4231. How long have you acted in that Capacity?

Since 1825.

4232. Have you had an Opportunity of observing the Effect produced upon the commercial Transactions and Affairs of Ireland, as far as they have come to your knowledge in the Provincial Bank, by the Crisis of last Year in England?

I have.

4233. Will

4233. Will you state what Effect it produced upon those Transactions thus brought under your Notice, either in the Shape of Applications for Discounts or otherwise?

The Effect produced in Ireland by the commercial Crisis of last Year in England was a great Diminution of the Banking Business in Irland, by reason of the extensive commercial Failures in England, with which Ireland was intimately connected at that Period.

4234. Did it produce much Difference in the Character of the Bills brought to you for Discount?

Confidence became shaken, and the Magnitude of the Crisis was such that it almost instantly diminished Transactions with England, and Bills of Exchange in a great measure disappeared.

4235. You are in the habit of discounting?

We are; but the Extent of Business very materially fell off after the Crisis adverted to.

4236. Do you discount generally at the same Rate at which the Bank of Ireland does?

At the same Rate.

4237. You adopt their Rate of Interest as your Rule?

Both Banks adopt the same Rates, particularly since 1845, and have acted together in all Changes of the Rates of Discount.

4238. Is it not a Fact that you and the Bank of Ireland both regulate your Rate of Discount very much according to the Rate of Discount of the Bank of England?

Very much so; the Rates in Ireland being a Fraction higher at Times.

4239. You discount the same Class of Bills?

The same Class of Bills as in England; and, to some Extent, a different Class of Bills; Bills produced by the natural Transactions and Wants of Ireland.

4240. Where are the Establishments of the Provincial Bank situated in Ireland?

In Dublin, with Branches in the Provinces.

4241. How many Branches have you?

Thirty-eight besides Dublin.

4242. Are they distributed all over Ireland?

In all the principal Towns of Ireland.

4243. And you do Business pretty equally with them, in proportion to their Magnitude?

In proportion to the Size of the Towns where they are placed, and the Districts around those Towns.

4244. Will you state whether any Effect, and if so what Effect, was produced upon your Transactions by the Act of 1845.

I do not think it materially affected the Banking Business of Ireland; it opened up a Space within Fifty Miles of Dublin from which any Bank of Issue but the Bank of Ireland had previously been excluded; it produced one very good Effect, inasmuch as it placed all Banks of Issue in Ireland on the same Footing; it put the Bank of Ireland and all the other Banks of Issue upon exceedingly good Terms with one another; it also facilitated very much the Operation of commercial Transactions in Ireland. But as regards the Business of Banking in Ireland generally I am not aware that the Act of 1845 made any material Change, and that it has continued to be conducted since the passing of that Act pretty much as previously to the Act coming into operation. I do not think we felt in Ireland comparatively the Pressure of the Crisis of last Year so severely as it was felt in England.

4245. Can you state any Particulars with regard to the Variations in the Circulation in Ireland during the Period referred to?

Yes; the Account which I now deliver in shows the Results of the published Returns under the Act of 1845, and these exhibited a most extraordinary Diminution of Issue in Ireland.

R. Murray, Esq.

19th June 1848.

4246. What was the Limit under the Act of 1845?

The certified Issue of all the Banks of Ireland was 6,354,000*l.*; that was taken on an Average of the previous Twelve Months. In 1846 the Issue of all the Banks in Ireland was in excess of that by about a Million and a Half. The highest Point to which the Irish Issue got after the passing of the Act of 1845 was in December 1846, when the entire Issue of Bank Notes in Ireland was 7,840,000*l.*

4247. That was about a Year after the Act came into operation?

Yes; and it fluctuated according to the Period of the Year. But the awful State of Affliction with which Ireland was visited in 1846 and 1847 gradually reduced the Circulating Medium, inasmuch as there was absolutely comparatively nothing to sell or to be represented by Bank Notes. And in Ireland, as will be seen from the Account delivered to the Committee, and springing from the afflicting and distressing Causes alluded to, the active Circulation of Ireland diminished rapidly, fell to the certified Issue under the Act of 1845, and in the Month of May 1847 below that Amount, and it still continues descending. The commercial Distress first began to be severely felt in England, I think, in the Month of March 1847. The Banks of Issue in Ireland had immediately after that Date a surplus Portion of their certified Issue unemployed, and by the last published Returns it appears that up to the 20th of May in the present Year it was at 4,840,000*l.*, being a Diminution from the 5th of December 1846 of no less than Three Millions of Bank Notes in such a poor Country as Ireland.

4248. A Diminution of about One Half the Circulation?

Not quite One Half. The Circulation in 1846 was 7,800,000*l.*, and in May last it was 4,800,000*l.*; it is a Diminution of Three Sevenths. There is another Item in this Account which goes materially to increase the Diminution precisely as there is Pressure in Ireland. A large Portion of the Trade of Ireland is in Provisions; those are brought to Market in small Quantities. A large Portion of those are paid for in Silver; consequently a considerable Portion of the whole Circulating Medium in Ireland is in the Hands of small Farmers, in Silver. When a Period of Pressure takes place the Silver is forced out of their Hands into the Hands of the Banks, and the Account delivered in exhibits that. On the 3d of January 1846 there was in the Hands of all the Banks in Ireland 267,000*l.* in Silver; there is at this present Moment 501,000*l.* in Silver in the Hands of all the Banks, so that you have to add to the diminished Issue of Bank Notes a diminished Amount of Silver in the Hands of the general Community of Ireland of nearly 250,000*l.*

4249. Was there not a considerable extra Sum in Silver introduced into Ireland during that Period artificially, in order to pay for the Relief Works?

There was; but when these Works were concluded we were obliged to apply to the Treasury to take a Portion of it back again; we had not the Means of giving it House-room; and a Portion was sent back at the Expense of the Banks, or we got it sent back to Scotland or to England at our own Expense, the Amount returned being nearly equal to what was imported.

4250. Has not the Operation of the Act of 1845, by the Abolition of the fractional Notes, rendered it necessary to hold a larger Stock of Silver?

I do not know that it has, because the Stock of Silver has for many Years been very considerable in Ireland. We found not the least Inconvenience from the Abolition of the fractional Notes.

4251. Do not you think there was Benefit derived from it, by its requiring a larger Amount of Silver to be in circulation?

There was an imaginary Idea that the doing away with fractional Notes would give rise to Inconvenience; but substantially no Inconvenience arose from the Suppression of fractional Notes.

4252. To what Cause do you attribute the great Falling-off in the Issue; is it to be altogether ascribed to the Diminution of commercial Transactions in Ireland?

Yes; the Prostration of the small Trade and the large Trade of the Country.

4253. Taking the North of Ireland, which is the more prosperous Part of the Country, was not the State of Things there, and the Demand for Discount upon good Bills, very considerably affected by the Failure of London Houses which were connected with the North of Ireland; for example, the House of Lesley Alexander and Company?

Every Part of Ireland was affected in that Way; but I do not think that the North of Ireland was more affected than any other Part of Ireland. The chief Portion of the Effect produced, however, was by the Failure of the Corn Houses, which had imported a large Portion of Food. The Import was carried to excess. The Effect produced in Ireland was by reason, not of what we saw in Ireland, but by reason of Irish Parties getting Bills discounted in England, and the Failure of Lesley Alexander and Company, and of Giles, Son, and Company, and various other large Corn Houses. But I do not think these Misfortunes affected the Circulation. The Diminution of the Issues of Ireland was produced by there being no Produce to sell.

4254. Do not you think that the State of the Money Market in England, and the Rate of Discount in England, naturally and inevitably act upon the Money Market and the Rate of Discount in Ireland?

Instantly.

4255. The Paper Currency of both Countries b ng exchangeable on demand into the same Circulating Medium, does not it necessarily follow that the Variation between them must be limited to a Sum not exceeding the Expense of the Conveyance of Specie from the one Country to the other?

As nearly as possible.

4256. Therefore, what acts upon the Circulating Medium of London and of England acts directly upon that of Ireland?

With very great Rapidity.

4257. Do you recollect a Period at which, by Misapprehension or Mistake, the Bank of Ireland kept the Rate of Discount in Dublin below the Rate of Interest to which the Bank of England had raised their Discounts?

I do.

4258. What was the Effect of that?

The Effect of it was inconvenient, and I believe it was immediately corrected.

4259. Did not it necessarily produce a Demand for Discounts in Ireland from English and Scotch Houses?

I believe it did.

4260. Must not that be the Case whenever that takes place?

Certainly.

4261. Your Bank has Thirty-nine Branches; when was the last established?

In 1846, within Fifty Miles of Dublin, consequent upon the Act of 1845.

4262. Under the Act of 1845, can you establish any more Branches?

Yes; there is no Prohibition. There can be no new Bank of Issue established, nor can the Issue of the existing Banks be increased by the Establishment of a new Branch, but you may establish a new Branch.

4263. Has any Bank of Ireland failed during that Period?

No.

4264. Are your Notes payable at the Branch Banks, or at the Central Bank?

They are payable at each Place of Issue.

4265. And at that Place only?

And at that Place only; but, practically, they are paid at every Branch.

4266. It appears that the Small-note Issues have decreased in a much greater Proportion than the Large-note Issues?

They have; showing the Pressure that there is upon the lower Orders. In other Words, there is a less Diminution of the Notes of 5 *l.* and upwards than of the Notes under 5 *l.*

R. Murray, Esq.

19th June 1848.

4267. You have 1 *l.* Notes in Ireland?
We have.

4268. Was not there an Arrangement between the Provincial Bank of Ireland and the Chancellor of the Exchequer anterior to the passing of the Act of 1845, by which they were bound to keep a certain Proportion of Specie in their Coffers to meet their Liabilities?
There was an Arrangement, which was adverted to in the Evidence before the Committee on Joint Stock Banks, made by the Chancellor of the Exchequer, between the Bank of Ireland and the Provincial Bank, by which we made a Return to the Chancellor of the Exchequer for the Time being of the Amount of Issue and the Amount of Specie.

4269. You are aware that at the Time when the Duke of Wellington's Government confided to the Provincial Bank a Portion of the Remittance of the Revenue, there was an Arrangement made that the Provincial Bank should keep a certain Amount of Specie. Are you able to say whether the Act of 1845, as compared with the anterior Practice of the Provincial Bank, has practically imposed any additional Restriction or Burden upon the Provincial Bank in relation to holding Specie, of which the Provincial Bank complains, or has a Right to complain?
I think there is no Cause of Complaint. At some Periods embraced in the Return, for example, at the early Period of January 1846, and again in November and December 1846, when the Issues were very high, probably we had to increase our Stock of Gold to the Extent of Fifty or a Hundred thousand Pounds; but these were Periods when the Issue was very full, and such an Increase would have been suggested by ordinary Prudence.

4270. Anterior to the Act of 1845 did not a Case occur in which the Provincial Bank of Ireland was compelled to reinforce its Amount of Gold to the Extent of upwards of 1,000,000 *l.*?
Yes; that was in 1828, during an extreme Panic.

4271. The utmost Increase on the Part of the Provincial Bank to which you can refer subsequently to the Act of 1845 is an Increase of about 50,000 *l.* to 100,000 *l.* of Gold?
Yes. I do not think it imposed any Hardship upon us.

4272. You do not complain of being required to retain a larger Amount of Specie than you otherwise would?
No. I do not think it made us keep Ten thousand Sovereigns more than we should have kept, one Day with another.

4273. Supposing the Provisions of the Act of 1845 had been in operation at the Time of the Existence of the Agricultural Bank in Ireland, and of other similar Banking Establishments, do you think that the Provisions of the Act of 1845 would have been useful in the way of preventing the Establishment of any such Banks, or of controlling their Management?
I think it would have been useful in controlling excessive Issues, if attempted.

4274. In the present State of Things in Ireland, under the Act of 1845 are you bound to have any Gold at all?
According to the present Amount of our Issues we should not, but common Prudence teaches us to keep large Stocks of Gold, as the Committee will see from the Return delivered in by me.

4275. But by Law you are compelled to make your Notes payable on Demand at the Places of Issue?
Yes; and that is Hardship enough, not with reference to keeping larger Stocks of Gold, because these we should keep, but with reference to the constant Transmission and Re-transmission of the Notes of different Branches to the Places of Issue.

4276. Still that Restriction has no reference to the Act of 1845?
None whatever; it was long anterior.

4277. You

4277. You say that you consider that the extraordinary Diminution of Notes in Ireland under 5*l.* has been owing to the Distress of the lower Classes?

Yes; and there being no Commodity to sell in the Country, nothing upon which to issue Notes.

4278. That Diminution appears to be greater in the last Two Months of your Return, in April and May of the present Year, than at any former Period; how do you account for that?

Because the Issue has been going down. Last Year there was a very large Government Expenditure in Ireland, which kept up the Issues of all Banks; this Year there has been little or nothing of the kind. The Country has been more left to its own Resources, and those Resources have been greatly diminished.

4279. Does it occur to you to suggest any Alteration of the Act of 1845?

There is one Suggestion that I would respectfully take leave to make, not however with the view of its being attended to at the present Moment, but at some convenient Time. There are Four Head Offices by the Act of 1845 allowed to the Banks at which they may keep their Stocks of Gold upon which to issue for any Excess of the certified Issue. That Number is too small, and leads to Inconvenience, and it would be very advantageous if it could be increased to Six. We have Cork, Limerick, Dublin, and Belfast as the Head Offices. Now, we should like to have Waterford and Sligo in addition; it would be a great Convenience, without any Detriment whatever.

The Witness delivers in the following Paper:

ABSTRACT of the RETURNS by the several BANKS of ISSUE in IRELAND under the Provisions of the Act 8th & 9th Victoria, Cap. 37. From 3d January 1846 to 20th May 1848.

For the Four Weeks ended	Certified Issue of all the Banks.	Notes of £5. and upwards.	Notes under £5.	Total Issue of all the Banks.	Gold held.	Silver held.	Total Specie held by all the Banks.
1846.	£.	£.	£.	£.	£.	£.	£.
3d January -	6,354,494	3,039,855	4,364,509	7,404,366	2,221,944	267,308	2,489,254
31st January -	6,354,494	3,052,168	4,358,583	7,410,751	2,232,887	298,145	2,531,032
28th February -	6,354,494	3,066,529	4,403,198	7,469,729	2,262,714	304,582	2,567,300
28th March -	6,354,494	3,071,589	4,373,371	7,444,960	2,246,022	322,131	2,568,158
25th April - -	6,354,494	3,170,291	4,366,031	7,536,323	2,204,748	321,861	2,526,613
23d May - -	6,354,494	3,223,469	4,198,610	7,422,080	2,177,633	321,310	2,498,945
20th June - -	6,354,494	3,072,053	3,899,973	6,972,026	2,082,018	332,981	2,415,002
18th July -	6,354,494	3,003,914	3,682,577	6,686,491	1,908,216	358,567	2,266,786
15th August -	6,354,494	2,959,671	3,520,844	6,480,517	1,887,457	376,335	2,263,795
12th September -	6,354,494	3,013,054	3,575,118	6,588,175	1,832,938	349,980	2,182,922
10th October -	6,354,494	3,183,979	4,067,575	7,251,555	1,894,453	345,812	2,240,267
7th November -	6,354,494	3,335,209	4,501,616	7,836,825	2,131,587	353,447	2,485,034
5th December -	6,354,494	3,273,326	4,566,204	7,839,530	2,253,124	316,467	2,569,595
1847.							
2d January -	6,354,494	3,151,117	4,364,295	7,515,414	2,264,266	343,740	2,608,012
30th January -	6,354,494	3,161,701	4,097,724	7,259,426	1,999,140	384,091	2,383,236
27th February -	6,354,494	3,158,358	3,871,694	7,030,053	1,795,792	383,389	2,179,184
27th March -	6,354,494	3,123,516	3,581,218	6,704,736	1,710,405	403,693	2,114,100
24th April - -	6,354,494	3,163,465	3,357,768	6,521,234	1,547,530	445,010	1,992,545
22d May -	6,354,494	3,086,115	2,932,305	6,018,420	1,162,163	520,506	1,682,682
19th June -	6,354,494	2,835,513	2,629,436	5,464,951	1,028,579	520,299	1,548,882
17th July -	6,354,494	2,740,914	2,516,464	5,257,378	993,810	563,524	1,557,337
14th August -	6,354,494	2,670,376	2,426,869	5,097,245	969,590	597,627	1,567,221
11th September -	6,354,494	2,581,063	2,467,246	5,048,310	966,818	565,399	1,532,222
9th October -	6,354,494	2,636,692	2,718,920	5,355,613	1,006,066	511,643	1,517,712
6th November -	6,354,494	2,714,939	2,804,374	5,519,314	1,045,805	490,718	1,536,526
4th December -	6,354,494	2,597,237	2,725,502	5,322,741	1,087,074	503,692	1,590,770
1848.							
1st January -	6,354,494	2,502,756	2,693,357	5,196,116	1,112,955	505,800	1,618,760
29th January -	6,354,494	2,528,633	2,705,281	5,233,916	1,132,937	531,806	1,664,746
26th February -	6,354,494	2,510,595	2,709,483	5,220,080	1,144 032	562,846	1,706,882
25th March -	6,354,494	2,505,565	2,601,829	5,107,395	1,095,722	584,711	1,680,437
22d April -	6,354,494	2,540,489	2,468,542	5,009,033	1,071,297	551,568	1,622,868
20th May -	6,354,494	2,561,459	2,279,211	4,840,672	1,087,162	501,318	1,588,485
		93,235,610	109,829,727	203,065,375	51,556,884	13,740,306	65,297,310

Averages of the preceding Returns.

	Notes of £. 5 and upwards.	Notes under £. 5.	Total.	Gold.	Silver.	Total Specie.
	£.	£.	£.	£.	£.	£.
Average for whole Period - - - -	2,913,612	3,432,178	6,345,791	1,611,152	429,384	2,040,540
Average for the Year 1846 - - - -	3,121,259	4,144,461	7,265,721	2,106,004	334,258	2,440,266
Average for the Year 1847 - - - -	2,844,049	2,986,375	5,830,425	1,263,517	491,953	1,755,475
Average for the first Five Months of 1846 -	3,116,309	4,339,958	7,456,768	2,224,800	313,605	2,538,409
Average for the first Five Months of 1847 -	3,138,631	3,568,141	6,706,773	1,643,006	427,337	2,070,349
Average for the first Five Months of 1848 -	2,529.348	2,552,869	5,082,219	1,106,230	546,449	1,652,683

The Witness is directed to withdraw.

Ordered, That this Committee be adjourned.

APPENDIX.

Appendix (A.)

(Note.—*The Evidence of Lord Ashburton has been placed in the Appendix in consequence of his Lordship not having been sworn when examined.*)

Die Veneris, 14° *Aprilis* 1848.

The LORD PRESIDENT in the Chair.

The LORD ASHBURTON, a Member of the Committee, is examined as follows:

Evidence of the Lord Ashburton.

14th April 1848.

3323. HAVE you any Statement which you are desirous of making to the Committee of Information received by you relative to the Proceedings of the Bank of France?

Having observed that the Committee were desirous of knowing something about the Construction of the Direction of the Bank of France, and of the Conduct of that Bank with respect to the several Circumstances which have been Matters of Inquiry here connected with the Bank of England, I took the opportunity of making Inquiry of a Gentleman who was in London about Ten Days ago, who was a Director of the Bank of France, and who would readily have come and given Evidence himself if he had not been under the Necessity of immediately returning to his own Country. The Inquiry I made of that Gentleman related, first of all, to the Construction of the Direction of the Bank of France, and to what Extent that Direction was considered to work well. Then I made Inquiry upon some of the Points more immediately connected with the Subject of our Inquiries, namely, the Conduct of the Bank of France with respect to its Discounts, with respect to the Charge of Interest, and with respect to any Limitation or Regulation that may be put upon the Operations of the Bank analogous to those which are imposed upon the Transactions of our own Bank. I will first of all state to the Committee the Facts with respect to the Construction of the Bank Direction. The Bank of France, as probably most of your Lordships know, has existed since 1803; it was established quite at the Beginning of the Power of Napoleon, and is constituted to this Day under the same Administration; and I think it may be stated, that under all the different Variations of Government, and the Difficulties through which that Country has passed, the Management of the Bank has been singularly successful and fortunate. There has been at no Time any Suspension of its Payments or any material Difficulties of any kind; and it seems to have answered perfectly well the Object for which that Bank, like our own, was instituted, namely, as a Bank to give proper Facilities to the Circulation and Commerce of the Country, and at the same Time to be the Bankers of the Government, and to give every proper and legitimate Facility to the Operations of the Government. The Direction is formed in this Manner: There is, first of all, a Governor, who has a House and 60,000 Francs a Year. There are then Two Sub-Governors, each with 30,000 Francs a Year. The Governor and Sub-Governors are both named by the Government, and, it is understood, removable by the Government, but in point of fact they never are removed. The present Governor, Monsieur D'Argout, is the Third Governor of the Bank of France in Forty-five Years; so that it has been generally considered that, though legally removable by the Government, practically they have not been removed. Then, besides this Governor and Two Sub-Governors, there are Three Receivers General. Your Lordships are probably aware what the Position of Receivers General is in the financial Economy of France. Those Three Receivers General are selected by the Proprietors out of the Class of the Receivers General; but the Receivers General are naturally more or less connected with the Government and Finance Department of the Country. There are then Three Censors, who are to be elected from the "Etat Industriel" of Paris,—what we should call the Manufacturers of Paris. It is so regulated by the Charter that they must be taken from that Class of Persons; but although they are called Censors, I do not find that they have to perform any Duty in the Direction but the same which is performed by the other Directors. Then in addition to those there are Twelve ordinary Directors, elected in the Way in which our Bank Directors are elected.

3324. Are the Directors generally paid?

None of them are paid but the Governor and the Two Sub-Governors, except that there is, I think, Ten Francs paid upon each Attendance, merely for the Purpose of marking the Attendance of Persons to their Duty, but no Amount of Payment that can be of any Importance. The Twelve Directors are taken from the Body of Merchants, Bankers, and

Evidence of the Lord Ashburton.

14th April 1848.

leading Persons at Paris, at the Discretion of the Stockholders. That is the Constitution of the Bank of France. Upon making Inquiry of the Gentleman I have mentioned as to the System of Management, he told me that the real Detail of the Management of the Bank is mainly with the Two Sub-Governors. They are stated to be very able Men, thoroughly acquainted with all the Circumstances of Paris, and all the Persons likely to come to the Bank for Business. And, in short, upon them seems to devolve mainly the Duty of attending to the Details of the Management of the Bank; and the Directors themselves seem to be more Checks upon those Sub-Governors than to be themselves the Managers of the Bank. At the same Time the Directors have the Power, which the Directors of our Bank have, to vote and to decide upon any Measures that are before them. This Gentleman stated to me that he considers the System to work well; that there is no Complaint of it. He does not find that the Governor and Sub-Governors pursue any Interests of the Government as against those of the Bank and of Trade, and the Power which they have with the Directors is a sufficient Check; in short that they have nothing material to complain of in the Administration. So much for the Direction of the Bank. Then I proceeded to inquire upon several Points relating to the Management of the Affairs of the Bank; and first as to the Charge of Interest. The legal Interest in France is Six per Cent. for monied Securities and Five per Cent. for Land. It is limited, as the Interest of this Country is limited, to Five per Cent. for Mortgages upon Land, and Six per Cent. is the Maximum of legal Interest for any Purpose. The Transactions of the Bank of France may be said to have varied very little indeed from the Limits of Four to Five per Cent.; they never exceed Five, and they have hardly ever been under Four. Under all Circumstances they have kept that equable Rate of Interest for their Discounts and for their general Transactions. I should state that the Discounts of commercial Paper by the Bank of France so far from being insignificant, as has been intimated, are in reality very large. I take it that upon the Average of Years the Discount of commercial Paper by the Bank of France is larger than the Discount of commercial Paper by the Bank of England. They make no Distinction between any Qualities of Paper; all Paper is done at the same Rate; but they rather favour what they call the Paper connected with the common Trade of the Place. Therefore a much larger Portion of their Discounts is in small Bills in the regular Trade of the Place, upon which this Gentleman says the Loss was very insignificant indeed; that Paper usually having Three Signatures upon it, and being founded upon real Business, is very seldom attended with any Loss. What I have stated with respect to the Interest that the Bank of France charge is in answer to a further Question which I put, whether they regulated the Amount of their Discounts at all by demanding a higher Rate of Interest, as our Bank has done of late Years. He says they have not done that on any Occasion; that the Rate has remained, as I have stated, uniform,—between Four and Five per Cent.,—and they never attempt to lessen the Applications by asking a larger Rate of Interest.

3325. Have they any legal Minimum of Interest?

No; they have no legal Minimum of Interest; but when the Interest comes down very low they consider that a Symptom that Bank Accommodation is not required.

3326. Though they do not alter the Rate of Interest, do not they vary from Time to Time the Rules with respect to the Echéance of Bills?

That I cannot state. Then he stated further that he has no Recollection at any Time of their refusing the common Trade Bills of the Country. If they want to regulate the State of their Affairs they do it by increasing or diminishing what they may hold of Public Securities, but they never reduce or materially vary their Transactions with the Merchants of the Country.

3327. Then in what Sense may they be said to favour One particular Description of Paper? You said that they rather favoured One Sort of Paper. In what Way do they favour it?

They favour the Paper of what I should call legitimate Business,—Paper connected with the real ordinary Trade of the Country,—in preference to the Bills of Stockjobbers or large Speculators.

3328. Then in order to give effect to that Distinction they must reject Paper in some Cases?

Undoubtedly; but it is the Paper of ordinary Trade that they never reject.

3329. Have they any Rule as to the Length of Bills?

I cannot state what their Rules are in this respect. Then I have only lastly to state that there is no Limitation as to their Issues by Law, nor is there any regulated Limitation among themselves other than what arises from their own Discretion from Day to Day as they come to manage their Affairs.

3330. In the Exercise of their Discretion has not the Fact been that the Amount of Bullion kept by the Bank of France has been very large?

Yes; generally speaking I believe it has. This Gentleman stated to me that they have never at any Time been under any Apprehension as to their Ability to pay their Notes, though undoubtedly we, looking at the Returns, should think that their Condition was rather questionable.

3331. You cannot state what Proportion the Amount of Bullion in their Hands has generally borne to the Number of Notes they have issued?

I am not able to answer that myself; but a Return is regularly made; it is very easy to know that.

3332. Do you know in point of fact that though it is called the Bank of France, their Notes were not current throughout the whole of France?

Yes; their Circulation is very much confined to Paris; but at the same Time Nine Tenths of the Business of France, like the Business in our own Country, is done by Bills upon Paris, and Paris really is the Heart of the whole Circulation. I have only further to state, that of late Years they have had Branch Banks, as our Bank has had; but this Gentleman says the Directory did not think favourably of the working of those Branch Banks; he thought that they had not been profitable to them, and that they had rather disturbed their Circulation.

3333. During the greater Part of the Time to which your Observations have applied has not the Law confined them to a minimum Note of 500 Francs?

Yes; it is only lately that they have come to Notes of 100 Francs.

3334. Did he state what Amount of Securities they have generally held; what we should call Government Securities?

That is stated in the Returns which are periodically published.

3335. Supposing that the natural Value of Money in France was Six per Cent., and that the ordinary Market Rate of Interest was Six per Cent., does your Information enable you to state to the Committee what the Bank of France would do in order to answer the Demands which must be made upon it if it maintained its own Rate of Discount at between Four and Five per Cent.?

I should think that if the Bank of France limited their Interest to Five per Cent., they would, except under very extraordinary Circumstances, guide and regulate the general Interest of the Place, and that under those Circumstances they would do the whole of the real commercial Paper that is presented. What is more singular the Banks in America never go beyond the legal Interest. None of the Banks in America discount at a higher Interest than Six per Cent., although the Market Rate of Interest in that Country is very often Ten, Fifteen, and Eighteen per Cent.

3336. What Check do they apply? If they do not impose a Restriction by raising the Rate of Interest must not they impose some other Restriction, either in the Date of the Bills or in the Securities?

No, it does not necessarily follow; because those Variations in the Interest do not materially alter the real Business connected with Drafts from Lyons and Havre and other Places and the Paper connected with the real Business of the Country. If Mr. Rothschild or any great Person were to send them in a Mass of Paper for the Purpose of taking Advantage of the Rate of Interest they would not do it for him. When I say they do all the Paper sent in I should explain that they distinctly make that Condition, that it shall be Paper resulting from the real Trade of the Country, and that seldom materially varies.

3337. What is the Nature of their Relation with the Government? Do they receive the Government Deposits and Securities?

It is as nearly as possible the same as that of our Bank of England.

3338. Do they pay the Dividends on the French Rentes?

No, they have nothing to do with the Dividends.

3339. They are not liable to be called upon by the Government to advance Money for that particular Purpose?

Yes; if the Government want Assistance they stand exactly in that respect in the same Relation that our Bank do to our Government.

3340. Does their Charter require them to make Advances of that Kind when demanded, or is it optional?

It is optional.

3341. They may act just as they do with the general Trade of the Country?

Yes. They stand in exactly the same Relation to the Government as the Bank of England does, except that they have nothing to do with the Payment of the Dividends; but they hold the Deposits of the Government, and in fact are the Bankers of the Government.

3342. Is it optional with them to pay their Notes in Gold or in Silver ad libitum?

It is optional to pay either in Gold or in Silver, but of course they pay only in Silver at present; there is a Premium at present upon Gold of about Eight per Cent., which has not been known for a long Time.

3343. What has been the lowest Denomination of Note that they issue?

I think it is now 100 Francs.

3344. What is it in ordinary Circumstances?

Until lately there were no Notes under 500 Francs.

3345. Will you explain a little more fully the Statement you made as to the Amount of Discounts afforded by the Bank of France being larger than that afforded by the Bank of England, because the Transactions of the Two Institutions certainly are not equal?

If we look back to the Returns we see for a long Time about the same Amount of Discounts of Bills by the Bank of England, — 2,800,000 *l.*, 2,700,000 *l.*, 2,800,000 *l.*, 2,900,000 *l.*,

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2,900,000 *l.*, and so on. If you take the Average of the last Ten Years I think you will find the discounted Bills larger in Amount in Paris than here.

3346. Have the Government any Power, not merely of supervising the Acts of the Bank, but of compelling them to adopt any Steps that they may think fit?

No, they have not. The Bank are perfectly independent, and that Independence has been respected even under Napoleon's Government.

3347. With respect to those Persons called Censors, what are their Functions in the Bank? Are they chosen by the Bank Proprietors?

They are chosen from among the Manufacturers of Paris. It was intended to provide that there should be Three at least of the Class of Manufacturers of Paris in the Direction, and Three of the Receivers General.

3348. Are the Receivers General official Members?

I am not quite sure whether the Receivers General were named by the Crown or whether they were elected by the Stockholders from the general Body.

3349. They are the Receivers General of Taxes?

They are; there is a Receiver in each Department.

Ordered, That this Committee be adjourned.

Appendix (B.)

Appendix (B.)

Paper delivered in by J. H. Palmer, Esq.

Memorandum.

14th March 1848.

Since giving my Evidence before the Committee on the 29th ult., the Circumstances which have taken place upon the Continent have brought to my Recollection an Omission on my Part to represent the Effect which such Occurrences are likely to have upon the Currency of this Country under the Act of 1844.

I have alluded in the foregoing Evidence to the Effect, whether arising from an unfavourable Exchange from Commercial Causes, or from an internal Discredit, occasioning an Abstraction of a Portion of the circulating Medium. In addition to the Liability to which the Country is subject from either or both these Events, it appears to me important to state for the Consideration of the Committee the Effect upon our Currency from a Discredit existing in Foreign Countries during such political Changes as are now taking place, affecting to a certain Degree the whole Continent. The Effect produced by these Events is an immediate Foreign Demand for Bullion, from the general Check given to Credit Circulation abroad; and as England, under such Circumstances, becomes the most prominent Place of Credit and Security, the Drain is promoted by presenting the most favourable Market for the Sale of Foreign Securities, and for the Deposit of Colonial and other Produce so long as the Foreign Discredit continues. In Proof of the early Character of the Demand for Specie upon the present Occasion, it may be right to mention that it commenced on the 29th ult., by an Export of 50,000 *l.*, and has since continued to the Extent of about 80,000 *l.* per Week. A further Confirmation of the Character of such a Drain is afforded by reference to what took place upon a Change of Government in France in July 1830, when the Bullion in the Bank was about Twelve Millions. From that Time the Foreign Demand for Bullion continued until the End of March 1832, when a Reduction was exhibited of near Seven Millions. At that Period Confidence abroad was restored, the Exchanges advanced, the Bullion increased, and the Position of the Bank was regained, without any Affection of the Credit of this Country from the Commencement to the Termination of that Drain. If during that Time the Act of 1844 had been in operation, the Commercial Credit of this Country would in all probability have been unnecessarily depressed by a forced Action on the Part of the Bank in order to preserve a relative Proportion in the Banking Department between the Reserve and the Deposits, while there would have been a larger Amount of Bullion in the Issue Department than was required to secure the Convertibility of the Bank Note. The Act being now in existence, if the present Foreign Demand for Bullion continues for any Length of Time and the Bank be expected to advance the Rate of Interest at an early Period, as their Reserve diminishes an extreme Pressure, which was avoided from 1830 to 1832, may be not unlikely to occur with upwards of Nine Millions of Bullion in the Issue Department. It is, I submit, in such Times and under such Circumstances that Judgment might with Propriety be exercised as to the Cause and probable Duration of the Drain, and Contraction be delayed until the Necessity of resorting to an Advance in the Rate of Interest, or otherwise, be exhibited in order to secure the Convertibility of the Bank Note. An earlier Action by the Bank may force the State of Credit in this Country down to a Level with that upon the Continent, which by a reasonable Delay might be avoided.

Appendix (C.)

Paper delivered in by S. Gurney, Esq., and referred to in his Evidence, page 147.

RATE OF DISCOUNT OF FIRST-CLASS BILLS AT THE UNDER-MENTIONED PERIODS.

	Jan^{y}.	Feb^{y}.	March.	April.	May.	June.	July.	Aug^{t}.	Sept^{r}.	Oct^{r}.	Nov^{r}.	Dec^{r}.
1824	3½	3½	3½	3½	3½	3½	3½	3½	3½	3½	3½	3½
1825	3½	3½	3½	3½	3½	4	4	4	4	4	4½	4½
1826	5	5	5	5	5	4½	4½	4	4	4	4	4
1827	4	3½	3½	3½	3½	3	3	3	3	3	3	3
1828	3	3	3	3	3	3	3	3	3	3	3	3½
1829	4	3½	3½	4	3½	3½	3½	3	3	3	3	3
1830	3	3	2¾	2¾	2½	2½	2½	2½	2½	2¾	3	4
1831	3¼	3	3½	3½	4	4	4	3½	3½	4	4	4
1832	4	3½	3¼	3¼	3¼	3¼	3	3	3	2¾	2¾	2¾
1833	2¾	2½	2¼	2¼	2½	2½	2½	2½	3	3	3½	3½
1834	3½	3	2¾	3	3¼	3¼	3¼	3¼	4	3¾	3¾	3¾
1835	3¾	3¼	3½	3¾	3¾	4	4	3½	3¾	3¾	3¾	3¾
1836	3¾	3¾	3½	3¼	3¼	4	4	4½	5	5	5½	5½
1837	5½	5½	5½	5½	4½	4½	4½	4	3½	3½	3¼	3½
1838	3½	3	3	2¾	2½	2¾	3	2¾	3	3	3¼	3½
1839	3¾	3¾	3¾	3¾	4	5	5½	6	6½	6½	6½	6½
1840	6	4¾	4¾	4⅝	4¼	4¾	4½	4½	4¾	5	6	5¾
1841	5½	5	5	4½	4½	5	4½	4½	4¾	5	5½	5
1842	4⅝	4½	3¾	3¾	3¼	3¼	3¼	3	2½	2¾	2½	2½
1843	2½	2¼	2	2	2	2¼	2¼	2	2	2¼	2	2½
1844	2¼	2	2	2	1¾	2	2	1¾	2	2¼	2¾	2¾
1845	2½	2½	2¾	2¾	2¾	2¾	2¾	3	2¾	3	3½	4½
1846	4	5	4½	4	4	4	3¾	3¾	3	3	3¼	3¼
1847	3¼	4½	4½	4½	7	6	5½	6	6	7	10	6
1848	4¾	3½										

APPENDIX (D.)

		Capital authorized to be raised by Shares and Loans for Railway Works.	Length of Railway authorized to be constructed.	Amount actually raised			Length of Railway opened for Traffic.	Remarks.
				On Shares.	By Loans.	Total.		
		£. £.	*Miles.*	£.	£.	£.	*Miles.*	
Prior to 31st Dec. 1843	As returned by the Companies			41,287,980	21,031,219			
	Estimate for deficient Returns			2,457,698	862,450			
	Total	85,622,296				65,639,347	1,798	
During 1844	As returned by the Companies	19,801,031		4,283,234	1,319,483			
	Estimate for deficient Returns	653,660		134,963	8,542			
	Total	20,454,691				5,729,138	196	
During 1845	As returned by the Companies	58,653,246		15,145,900	840,484			
	Estimate for deficient Returns	1,612,981		561,068	90,358			
	Total	60,266,228				16,457,094	294	
During 1846	As returned by the Companies	128,856,375		30,263,343	7,514,894			
	Estimate for deficient Returns	1,319,999		534,778	365,665			
	Total	130,176,374				38,678,680	597	
During 1847	As returned by the Companies	46,533,141		34,296,339	8,818,221			
	Estimate for deficient Returns	1,173,266		597,127	153,713			
	Total	47,706,407				43,557,974	772	
	Totals	344,225,996	11,353	129,562,430	40,499,803	170,062,233	3,657	

Appendix (E.)

Paper delivered in by Mr. Wylie, 7th March, and referred to in his Evidence.

Laws of the State of New York in relation to Banking Associations and Individual Bankers doing Business under said Laws; passed previous to Jan. 1, 1845.

An Act to authorize the Business of Banking, passed April 18, 1838, as amended by subsequent Enactments, showing the Provisions of Law at present in operation affecting the Associations or Individuals now doing Business under the said Acts.

An Act to authorize the Business of Banking. [*Passed April* 18, 1838.]

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Comptroller to provide Circulating Notes;

Sect. 1. The Comptroller is hereby authorized and required to cause to be engraved and printed, in the best Manner to guard against counterfeiting, such Quantity of Circulating Notes, in the Similitude of Bank Notes in Blank, of the different Denominations authorized to be issued by the Incorporated Banks of this State, as he may from Time to Time deem necessary to carry into effect the Provisions of this Act, and of such Form as he may prescribe; such Blank Circulating Notes shall be countersigned, numbered, and registered in proper Books to be provided and kept for that purpose in the Office of the said Comptroller, under his Direction, by such Person or Persons as the said Comptroller shall appoint for that Purpose, so that each Denomination of such Circulating Notes shall bear the uniform Signature of such Register, or One of such Registers.*

which are to be countersigned and registered in his Office.

On Transfer of Stock o this State Circulating Notes to be delivered.

Sect. 2. Whenever any Person or Association of Persons formed for the Purpose of Banking under the Provisions of this Act shall lawfully transfer to the Comptroller any Portion of the Public Stock issued or to be issued by this State, such Person or Association of Persons shall be entitled to receive from the Comptroller an equal Amount of such Circulating Notes of different Denominations, registered and countersigned as aforesaid; but such Public Stock shall in all Cases be, or be made to be, equal to a Stock of this State producing Five per Cent. per Annum; and it shall not be lawful for the Comptroller to take such Stock at a Rate above its Par Value, nor above its current Market Value.†

When Notes may be circulated as Money.

Sect. 3. Such Person or Association of Persons are hereby authorized, after having executed and signed such Circulating Notes in the Manner required by Law to make them obligatory Promissory Notes payable on Demand at the Place of Business within this State of such Person or Association, to loan and circulate the same as Money, according to the ordinary Course of Banking Business, as regulated by the Laws and Usages of this State.

If Notes not paid on Demand, to be redeemed by Comptroller with Trust Funds.

Sect. 4. In case the Maker or Makers of any such Circulating Note or Notes countersigned and registered as aforesaid shall at any Time hereafter, on lawful Demand during the usual Hours of Business between the Hours of Ten and Three o'Clock, at the Place where such Note or Notes is or are payable, fail or refuse to redeem such Note in the lawful Money of the United States, the Holder of such Note or Notes making such Demand may cause the same to be protested for Nonpayment by a Notary Public under his Seal of Office in the usual Manner; and the Comptroller, on receiving and filing in his Office such Protest, shall forthwith give Notice in Writing to the Maker or Makers of such Note or Notes to pay the same; and if he or they shall omit to do so for Ten Days after such Notice, the Comptroller shall immediately thereupon (unless he shall be satisfied that there is a good and legal Defence against the Payment of such Note or Notes) give Notice in the State Paper that all the Circulating Notes issued by such Person or Association will be redeemed out of the Trust Funds in his Hands for that Purpose; and the Comptroller shall be required to apply the said Trust Funds belonging to the Maker or Makers of such protested Notes to the Payment pro ratâ of all such Circulating Notes, whether protested or not, put in Circulation by the Maker or Makers of such protested Notes, pursuant to the

* Original Section 1 varied by Sect. 6 of Chap. 319, Laws of 1841, by omitting the Words "all be of the same Similitude and" in the latter Part of the Section.

† Original Section 2 varied by Sect. 2 of Chap. 363, Laws of 1840, by omitting what related to Stocks created by other States or by the United States.

Appendix (E.)

Provisions of this Act, and to adopt such Measures for the Payment of such Notes as will, in his Opinion, most effectually prevent Loss to the Holders thereof.*

Powers of Attorney to be given to Owners to receive Dividends on Trust Fund.

When to be revoked.

Sect. 5. The Comptroller may give to any Person or Association of Persons so transferring Stock in pursuance of the Provisions of this Act, Powers of Attorney to receive Interest or Dividends thereon, which such Person or Association may receive and apply to their own Use; but such Powers may be revoked upon such Person or Association failing to redeem the Circulating Notes so issued, or whenever, in the Opinion of the Comptroller, the Principal of such Stock shall become an insufficient Security; and the said Comptroller, upon the Application of the Owner or Owners of such transferred Stock in trust, may, in his Discretion, change or transfer the same for other Stocks of the Kinds before specified in this Act, or may transfer the said Stocks or any Part thereof or the Mortgages or any of them, hereinafter mentioned and provided for, upon receiving and cancelling an equal Amount of such Circulating Notes delivered by him to such Person or Association, in such Manner that the Circulating Notes shall always be secured in full, either by Stocks or by Stocks and Mortgages, as in this Act provided.

Stocks may be changed or re-transferred.

Bills how to be stamped.

Sect. 6. The Bills or Notes so to be countersigned, and the Payment of which shall be so secured by the Transfer of Public Stocks, shall be stamped on their Face "Secured by the Pledge of Public Stocks."

Bonds and Mortgages to be taken for One Half of Notes delivered.

How Bills to be stamped in such Case.

Sect. 7. Instead of transferring Public Stocks as aforesaid to secure the whole Amount of such Bills or Notes, it shall be lawful for such Person or Association of Persons, in case they shall so elect, before receiving any of the said Bills or Notes, to secure the Payment of One Half of the whole Amount so to be issued, by transferring to the Comptroller Bonds and Mortgages upon Real Estate, bearing at least Six per Cent. Interest of this State, payable annually or semi-annually; in which Case all such Bills or Notes issued by the said Person or Association of Persons shall be stamped on their Face "Secured by Pledge of Public Stocks and Real Estate."

Character of Mortgages.

Title and Value of Lands, how ascertained.

Sect. 8. Such Mortgages shall be only upon improved productive unincumbered Lands within this State, worth, independently of any Buildings thereon, at least double the Amount for which they shall be so mortgaged; and the Comptroller shall prescribe such Regulations for ascertaining the Title and the Value of such Lands as he may deem necessary; and such Mortgages shall be payable within such Time as the Comptroller may direct.

When Bonds and Mortgages may be re-assigned.

Proceedings when Principal or Trust Fund is paid to Comptroller.

Sect. 9. The Comptroller may, in his Discretion, re-assign the said Bonds and Mortgages or any of them to the Person or Association who transferred the same, on receiving other approved Bonds and Mortgages of equal Amount; and when any Sum of the Principal of the Bonds and Mortgages transferred to the Comptroller shall be paid to him, he shall notify the Person or Association that transferred the Bonds and Mortgages of such Payment, and may pay the same to such Person or Association on receiving other approved Bonds and Mortgages of equal Amount.

Owners of Mortgages to receive Interest, except in certain Cases.

Sect. 10. The Person or Association of Persons assigning such Bonds and Mortgages to the Comptroller may receive the annual Interest to accrue thereon, unless default shall be made in paying the Bills or Notes to be countersigned as aforesaid, or unless, in the Opinion of the Comptroller, the Bonds and Mortgages or Stocks so pledged shall become an insufficient Security for the Payment of such Bills or Notes.

When pledged Securities to be sold, and how.

Proceeds to be applied to Payment of Bills.

Sect. 11. In case such Person or Association of Persons shall fail or refuse to pay such Bills or Notes on Demand in the Manner specified in the Fourth Section of this Act, the Comptroller, after the Ten Days' Notice therein mentioned, may proceed to sell at public Auction the Public Stock so pledged, or the Bonds and Mortgages so assigned, or any or either of them, and out of the Proceeds of such Sale, shall pay and cancel the said Bills or Notes default in paying which shall have been made as aforesaid, but nothing in this Act contained shall be considered as implying any Pledge on the Part of the State for the Payment of said Bills or Notes beyond the proper Application of the Securities pledged to the Comptroller for their Redemption.

Pledged Securities to be held exclusively for Redemption of Circulating Notes.

Sect. 12. The Public Debt and Bonds and Mortgages to be deposited with the Comptroller by any such Person or Association shall be held by him exclusively for the Redemption of the Bills or Notes of such Person or Association put in Circulation as Money until the same are paid.

Plates, &c. to remain in custody of Comptroller.

Expenses in executing this Act, how paid.

Sect. 13. The Plates, Dies, and Materials to be procured by the Comptroller for the printing and making of the Circulating Notes provided for hereby shall remain in his Custody and under his Direction; and the Expenses necessarily incurred in executing the Provisions of this Act shall be audited and settled by the Comptroller, and paid out of any Moneys in the Treasury not otherwise appropriated; and for the Purpose of reimbursing the same the said Comptroller is hereby authorized and required to charge against and receive from such Person or Association applying for such Circulating Notes such Rate per Cent. thereon as may be sufficient for that Purpose, and as may be just and reasonable.

* Original Section 4 varied by Sect. 4 of Chap. 46, Laws of 1841, by omitting the Expression which had been construed to give a Preference to the Holders of the Notes first protested.

Sect. 14. It shall not be lawful for the Comptroller or other Officer to countersign Bills or Notes for any Person or Association of Persons to an Amount in the Aggregate exceeding the Public Debt, or Public Debt and Bonds and Mortgages, at their Value, as provided in the Second Section of this Act, deposited with the Comptroller by such Person or Association; and any Comptroller or other Officer who shall violate the Provisions of this Section shall, upon Conviction, be adjudged guilty of a Misdemeanor, and shall be punished by a Fine of not less than Five thousand Dollars, or be imprisoned not less than Five Years, or by both such Fine and Imprisonment.

Comptroller not to countersign Bills beyond Securities pledged.

Penalties for Violation of this Provision.

Sect. 15. Any Number of Persons may associate to establish Offices of Discount, Deposite, and Circulation, upon the Terms and Conditions, and subject to the Liabilities, prescribed in this Act; but the aggregate Amount of the Capital Stock of any such Association shall not be less than One hundred thousand Dollars.

Number of Associates, and Amount of Capital Stock.

Sect. 16. Such Persons, under their Hands and Seals, shall make a Certificate, which shall specify,

1. The Name assumed to distinguish such Association, and to be used in its Dealings.
2. The Place where the Operations of Discount and Deposite of such Association are to be carried on, designating the particular City, Town, or Village:
3. The Amount of the Capital Stock of such Association, and the Number of Shares into which the same shall be divided:
4. The Names and Places of Residence of the Shareholders, and the Number of Shares held by each of them respectively:
5. The Period at which such Association shall commence and terminate:

Which Certificate shall be proved or acknowledged and recorded in the Office of the Clerk of the County where any Office of such Association shall be established, and a Copy thereof filed in the Office of the Secretary of State.

Association to make a Certificate, and its Contents.

How proved, recorded, and filed.

Sect. 17. The Certificate required by the last preceding Section to be recorded and filed in the Offices of the Clerk of the County and Secretary of State as aforesaid, or Copies thereof, duly certified by either of those Officers, may be used as Evidence in all Courts and Places for and against any such Association.

Certificates may be used as Evidence.

Sect. 18. Such Association shall have Power to carry on the Business of Banking, by discounting Bills, Notes, and other Evidences of Debt, by receiving Deposites, by buying and selling Gold and Silver Bullion, Foreign Coins, and Bills of Exchange, in the Manner specified in their Articles of Association, for the Purposes authorized by this Act; by loaning Money on Real and Personal Security; and by exercising such incidental Powers as shall be necessary to carry on such Business; to choose One of their Number as President of such Association, and to appoint a Cashier, and such other Officers and Agents as their Business may require, and to remove such President, Cashier, Officers, and Agents at pleasure, and appoint others in their Place.

General Powers of Association.

President and Cashier.

Sect. 19. The Shares of said Association shall be deemed Personal Property, and shall be transferable on the Books of the Association, in such Manner as may be agreed on in the Articles of Association; and every Person becoming a Shareholder by such Transfer shall, in proportion to his Shares, succeed to all the Rights and Liabilities of prior Shareholders; and no Change shall be made in the Articles of Association by which the Rights, Remedies, or Security of its existing Creditors shall be weakened or impaired. Such Association shall not be dissolved by the Death or Insanity of any of the Shareholders therein.

Shares to be Personal Property, and how transferable.

Rights of Shareholders.

No Change in Articles to impair Right of Creditors.

Association not dissolved by Death, &c. of Shareholders.

Sect. 20. It shall be lawful for any Association of Persons organized under this Act, by their Articles of Association, to provide for an Increase of their Capital and of the Number of the Associates from Time to Time as they may think proper.

Articles may provide for Increase of Capital, &c.

Sect. 21. Contracts made by any such Association, and all Notes and Bills by them issued and put in Circulation as Money, shall be signed by the President or Vice-President and Cashier thereof; and all Suits, Actions, and Proceedings brought or prosecuted, by or on behalf of such Association may be brought or prosecuted in the Name of the President thereof; and no such Suit, Action, or Proceeding shall abate by reason of the Death, Resignation, or Removal from Office of such President, but may be continued and prosecuted according to such Rules as the Courts of Law and Equity may direct, in the Name of his Successor in Office, who shall exercise the Powers, enjoy the Rights, and discharge the Duties of his Predecessor.

Contracts how signed, and Suits how prosecuted.

Sect. 22. All Persons having Demands against any such Association may maintain Actions against the President thereof; which Suits or Actions shall not abate by reason of the Death, Resignation, or Removal from Office of such President, but may be continued and prosecuted to Judgment against his Successor; and all Judgments and Decrees obtained or rendered against such President for any Debt or Liability of such Association, shall be enforced only against the joint Property of the Association, and which Property shall be liable to be taken and sold by Execution under any such Judgment or Decree.

Actions may be maintained against President of Association.

Not to abate by his Death or Removal.

Judgment enforced against joint Property only.

Shareholders not personally liable unless Articles of Association make them so.

Sect. 23. No Shareholder of any such Association shall be liable in his individual Capacity for any Contract, Debt, or Engagement of such Association, unless the Articles of Association by him signed shall have declared that the Shareholder shall be so liable.

For what Purposes to hold and convey Real Estate.

Sect. 24. It shall be lawful for such Association to purchase, hold, and convey Real Estate for the following Purposes:

1. Such as shall be necessary for its immediate Accommodation in the convenient Transaction of its Business; or
2. Such as shall be mortgaged to it in good Faith, by way of Security for Loans made by or Monies due to such Association; or
3. Such as shall be conveyed to it in satisfaction of Debts previously contracted in the Course of its Dealings; or
4. Such as it shall purchase at Sales under Judgments, Decrees, or Mortgages held by such Association.

Prohibited holding for any other Purpose.

Real Estate how conveyed.

Sale free from Claim thereon against Shareholder.

The said Association shall not purchase, hold, or convey Real Estate in any other Case or for any other Purpose; and all Conveyances of such Real Estate shall be made to the President or such other Officer as shall be indicated for that Purpose in the Articles of Association; and which President or Officer, and his Successors, from Time to Time, may sell, assign, and convey the same, free from any Claim thereon, against any of the Shareholders or any Person claiming under them.

When Chancellor to order Examination of Affairs of Association.

Result may be published.

Sect. 25. Upon the Application of Creditors or Shareholders of any such Association, whose Debts or Shares shall amount to One thousand Dollars, and stating Facts verified by Affidavit, the Chancellor may, in his Discretion, order a strict Examination to be made by One of the Masters of his Court, of all the Affairs of such Association, for the Purpose of ascertaining the Safety of its Investments, and the Prudence of its Management; and the Result of every such Examination, together with the Opinion of the Master and of the Chancellor thereon, shall be published in such Manner as the Chancellor shall direct, who shall make such Order in respect to the Expenses of such Examination and Publication as he may deem proper.

[Sect. 26 of original Act repealed by Section 5 of Chap. 319, Laws of 1841.]

Penalty for neglecting to report, or for violating any Provision of this Act.

Sect. 27. If such Association shall neglect to make out and transmit the Statement required in the last preceding Section, for One Month beyond the Period when the same is required to be made, or shall violate any of the Provisions of this Act, such Association may be proceeded against and dissolved by the Court of Chancery, in the same Manner as any moneyed Corporation may be proceeded against and dissolved.

If Capital withdrawn no Dividends to be made.

Penalty for making Dividends in such Case.

Sect. 28. If any Portion of the original Capital of any such Association shall be withdrawn for any Purpose whatever whilst any Debts of the Association remain unsatisfied, no Dividends or Profits on the Shares of the Capital Stock of the Association shall thereafter be made, until the Deficit of Capital shall have been made good, either by Subscription of the Shareholders, or out of the subsequently accruing Profits of the Association; and if it shall appear that any such Dividends have been made, it shall be the Duty of the Chancellor to make the necessary Orders and Decrees for closing the Affairs of the Association, and distributing its Property and Effects among its Creditors and Shareholders.

Holder of Bills entitled to 14 per Cent. in case of Nonpayment on Demand.

Sect. 29. Such Association shall be liable to pay the Holder of every Bill or Note put in Circulation as Money, the Payment of which shall have been demanded and refused, Damages for Nonpayment thereof, in lieu of Interest, at and after the Rate of Fourteen per Cent. per Annum, from the Time of such Refusal until the Payment of such Evidence of Debt, and the Damages thereon.

List of Names of Shareholders to be kept, and where filed.

Sect. 30. The President and Cashier of every Association formed pursuant to the Provisions of this Act shall at all Times keep a true and correct List of the Names of all the Shareholders of such Association, and shall file a Copy of such List in the Office of the Clerk of the County where any Office of such Association may be located, and also in the Office of the Comptroller, on the first Mondays of January and July in every Year.

Bills less than 1,000 Dollars not to be made payable at any Place except the Office of the Association.

Sect. 31. It shall not be lawful for any Association formed under the Provisions of this Act to make any of its Bills or Notes of a Denomination less than One thousand Dollars, to be put in Circulation as Money, payable at any other Place than at the Office where the Business of the Association is carried on and conducted.

Repealing Clause.

Sect. 32. The Legislature may at any Time alter or repeal this Act.

[Sect. 33 of original Act repealed by Sect. 6 of Chapter 363, Laws of 1840.]

Appendix (E.)

An Act to amend the Act, entitled "An Act to authorize the Business of Banking." [*Passed May* 14, 1840.]

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Sect 1. [Substitutes a new Section for the Second Section of the original Act, which is inserted in the preceding Publication of the same.]

Not to affect Stocks now held by Comptroller.

Sect. 2. The Provisions of the said Second Section shall not be construed to prevent the Stocks now held by the Comptroller under the Act hereby amended from being hereafter transferred to and received by him at their Market Value, in the same Manner as though this Act had not been passed.

Amount of Securities to be deposited.

Sect 3. No Association of Persons shall commence the Business of Banking under the said Act, until such Association shall have deposited with the Comptroller the Securities required by Law, to the Amount of One hundred thousand Dollars.

Notes to be payable on Demand, and without Interest. Penalty.

Sect. 4. No Banking Association or individual Banker, as such, shall issue or put in Circulation any Bill or Note of said Association or individual Banker, unless the same shall be made payable on Demand, and without Interest; and every Violation of this Section by any Officer or Member of a Banking Association, or by any individual Banker, shall be deemed and adjudged a Misdemeanor, punishable by Fine or Imprisonment, or both, in the Discretion of the Court having Cognizance thereof.

Mutilated Notes may be exchanged.

Sect. 5. It shall be the Duty of the Comptroller to receive mutilated Circulating Notes issued by him, and to deliver in lieu thereof other Circulating Notes to the same Amount.

Section repealed.

Sect. 6. The Thirty-third Section of the Act hereby amended is repealed.

When Interest and Dividends may be returned.

How executed.

Sect. 7. Whenever the Securities deposited for the Redemption of Circulating Notes shall, in the Opinion of the Comptroller, become insufficient for that Purpose, he may receive the Dividend on all Stocks, as well as the Interest on Bonds and Mortgages, and shall deposit the same in some safe Bank or Banking Association in the City of Albany, in his Name, in trust for the Association or Banker to whom the same may belong; the Deposite to be made on such Terms and at such Rate of Interest as the Comptroller may deem most conducive to the Interest of such Association or Banker, and to be withdrawn and paid over whenever, in the Opinion of the Comptroller, the Securities of such Association or Banker shall be sufficient to warrant it.

Committee of Legislature to examine Bank Department.

Sect. 8. It shall be the Duty of the Joint Committee annually chosen to examine the Treasurer's Accounts to examine such of the Securities deposited in the Comptroller's Office by Banking Associations and individual Bankers, together with Books and Papers therein relating to the Business of Banking, as the said Committee may deem nec-ssary to enable them to report the true State and Conditions of that Department to the Legislature.

Certain Bonds, &c. directly to Comptroller.

Sect. 9. It shall be lawful for the President of any Banking Association, or any individual Banker, to make or execute Bonds and Mortgages direct to the Comptroller, to secure the Payment of Circulating Bills or Notes issued under the Act to authorize the Business of Banking, and all such Bonds and Mortgages heretofore received by the Comptroller for such Purpose shall be valid.

Fees of protesting how paid.

Sect. 10. All Fees for protesting the Circulating Notes issued by any Banking Association or individual Banker shall be paid by the Person procuring the Services to be performed for which such Association or Banker shall be liable, but no Part of the Securities deposited by such Association or Banker shall be applied to the Payment of such Fees.

Powers of Bank Commissioners extended to Associations, &c.

Sect. 11. Every Banking Association and individual Banker carrying on Banking Business, or who shall hereafter carry on Banking Business, under the Act to authorize the Business of Banking, shall be subject to the Inspection and Supervision of the Bank Commissioners, whose Powers and Duties shall be the same in respect to said Banking Association or individual Banker as they are or may be in respect to any of the incorporated Banks of this State.

When and how Associations to be proceeded against.

Sect. 12. In case any of the said Associations or individual Bankers shall refuse to submit its Books, Papers, and Concerns to the Inspection of said Commissioners or either of them, or whose Officers shall refuse to submit to be examined upon Oath touching the Concerns of such Association or individual Banker by said Commissioners or either of them, or which shall be found to have violated any Law of this State binding upon such Association or individual Banker, such Association or individual Banker shall be liable to be proceeded against by said Commissioners, in the same Manner and with the like Effect as any incorporated Bank may be proceeded against for a Violation of its Charter.

Additional Bank Commissioner.

Sect. 13. There shall be appointed One additional Bank Commissioner, whose Style and Term of Office, Powers, Duties, Compensation, and Manner of Appointment, shall be the same as those of the present Commissioners. The Salary of such Commissioner shall be paid quarterly by the Treasurer on the Warrant of the Comptroller, and the Amount thereof retained by the Comptroller, and paid into the Treasury, out of the Interests upon the Securities deposited with the Comptroller by the said Banking Associations and individual Bankers, in proportion to the Amount of Securities deposited by each.

Former Act not to prevent certain Corporations owning Stock of Associations.

Sect. 14. Nothing in the Act hereby amended shall be construed to prevent any Body Corporate, which may have Power to hold, receive, or transfer Shares of Public Debt, Bank Stock, or the like personal Property, from also holding, receiving, or transferring any transferable Shares of the Stock of Associations organized under the said Act.

An Act to amend the Act, entitled "An Act to authorize the Business of Banking." [*Passed May* 26, 1841.]

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Associations and Bankers to return a full Statement to Bank Commissioners yearly.

Sect. 1. Every Banking Association and individual Banker carrying on Banking Business, or who shall hereafter carry on Banking Business, under the Act to authorize the Business of Banking, shall annually make out and transmit to the Bank Commissioners, in the Form prescribed by them, a full Statement of its Affairs, verified by the Oaths of its President and Cashier, which Statements shall be deposited by such Banking Association or individual Banker respectively in the Office of the Secretary of State, sealed and directed to said Commissioners on or before the Twentieth day of January in each Year, after the Passage of this Act, or after the Time of their having respectively commenced the Business of Banking as prescribed by the Act hereby amended.

Statement how to be made out.

Sect. 2. Such Statement so transmitted shall contain,

1. The Amount of the certified Stock of the Capital Stock of the Banking Association or individual Banker paid in or invested according to Law, or in pursuance of its Articles of Association, and the Amount of such Stock as then possessed:
2. The Value of the Real Estate of the Association or individual Banker, specifying what Portion is occupied by the Association or individual Banker for the Transaction of Business:
3. The Shares of Stock held by such Association or individual Banker, whether absolutely or as collateral Security, specifying each Kind and Description of Stock, and the Number and Value of the Shares of each:
4. The Debts owing to the Association or individual Banker, specifying such as are due from moneyed or other Corporations or Associations, the Names of such Corporations or Associations, and the Amount due from each, and also specifying the Amount secured by Bond and Mortgage or Judgment, the Amount which ought to be included in the Computation of Losses, and the total Amount of such Debts then collectable:
5. The Amount of Debts owing by the Association or individual Banker, specifying such as are payable on Demand, and such as are due to moneyed or other Corporations, Associations, or individual Bankers, the Name of such Corporations or Associations, or individual Bankers, and the Amount due to each:
6. The Amount of Claims against the Associations or individual Banker, not acknowledged by it or him as Debts:
7. The Amount for which the Association or individual Banker is bound as Surety, or for which it may become liable on the happening of contingent Events, whether upon Policies of Insurances or otherwise:
8. The Amount of the Notes or Bills then in Circulation of said Association or individual Banker, of Loans and Discounts, and of Specie on hand:
9. The Amount on the First of July next preceding of Notes or Bills in Circulation, of Loans and Discounts, and of Specie on hand, of such Association or individual Banker:
10. The Amount of the Losses of the Association or individual Banker (if any) charged, specifying whether charged on its or his Capital or Profits since the last preceding Statement, and of the Dividends declared and made during the same Period:
11. The Amount of Real Estate, Mortgages, and of State Stocks, together with the Description of such Stocks, deposited by each Association or individual Banker with the Comptroller as Security for the Circulating Notes issued, the Market Value of said Stocks, as near as the same can be ascertained, and the Date to which Payment of Interest has been made upon such Real Estate, Mortgages, and Stocks, and whether said Interest has been paid to such Banking Association or individual Banker, or passed to their or his Credit on the Books of the Comptroller:

Sect. 3,

Penalty for Neglect.

Sect. 3. Every Association that shall neglect to make out and transmit the Statement required as prescribed in the First Section of this Act may be proceeded against and dissolved as an Insolvent Association; and every individual Banker subject to this Law who shall so neglect shall be restrained from the further Prosecution of his Business.

Bank Commissioners to prepare Forms of Statements.

Sect. 4. It shall be the Duty of the Bank Commissioners to prepare Forms of the Statements, and to transmit a Copy thereof, together with such Instructions as they may deem necessary, to every Association or individual Banker which is or shall be bound to furnish such Statements under the Provisions of this Act. The Expenses of printing the Forms of said Statements and Instructions shall be paid by the Treasurer on the Warrant of the Comptroller, and the Amount thereof retained by the Comptroller and paid into the Treasury out of the Interest of the Securities deposited with the Comptroller by the said Banking Associations and individual Bankers, in proportion to the Amount of Securities deposited by each.

Sect. 5. The Twenty-sixth Section of the Act hereby amended is repealed.

[This Section substitutes a new one for the First Section of the Act of 1838, which has been inserted accordingly.]

Assignments made by Comptroller may be recorded.

Sect. 7. Every Assignment of any Bond or Mortgage executed by the Comptroller under his official Seal in pursuance of the Provisions of the said Act, or which may be otherwise authorized by Law, may be recorded in the same Manner and with the like Effect as a Deed regularly acknowledged or proved before any Officer authorized by Law to take the Proof and Acknowledgment of Deeds.

Banker or Association when to relinquish Business.

Sect. 8. When any individual Banker or the Officers of any Banking Association desirous of relinquishing the Banking Business shall have redeemed at least Ninety per Cent. of their Circulating Notes, and shall produce to the Comptroller a Certificate of a Deposite to his Credit in such Bank as he shall approve, to an equal Amount with the Circulating Notes of such Bank unredeemed, it shall be lawful for him to receive the same, and to give up all the Securities theretofore deposited by such Banker or Association for the Redemption of Circulating Notes issued.

Notice to be given for Two Years.

Sect. 9. Such Association or individual Banker, after having complied with the Provisions of the preceding Section, may give Notice for Two Years in the State Paper, and also in at least One Newspaper printed in the County where the said Association or Bank shall have been located, that all Circulating Notes issued by such Association or Bank must be presented at the Comptroller's Office within Two Years from the Date of such Notice, or that the Funds deposited for the Redemption of the Notes will be given up to the Bank or Association; and on receiving satisfactory Proof of the giving such Notice for the Time aforesaid, the Comptroller shall surrender to the Order of the said Association or Bank any Securities which he may hold for the Payment of any unredeemed Notes of the said Association or Bank.

An Act respecting Suits and legal Proceedings by or against Banking Associations. [*Passed March* 16, 1841.]

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Actions may be commenced by Declaration.

Sect. 1. Actions instituted against any Association established or to be established under the Provisions of the "Act to authorize the Business of Banking," passed April 18, 1838, or of any Act amending the same, may be commenced by Declaration, and Copies of such Declaration may be served on the President or Cashier of such Association, and, in their Absence, on any Director, at the usual Place of Business thereof, or in such other Manner as the Court in which such Action is brought may direct; but all such Actions shall nevertheless be commenced only against the Persons and in the Manner prescribed or permitted by the Acts above mentioned.

Actions how to be commenced and prosecuted by Associates or Shareholders.

Sect. 2. Any Person who shall be or shall have been an Associate or Shareholder of any such Association may, in respect of any Demand which he may have, either solely or jointly with any other Person, against such Association, commence and prosecute, either solely or jointly (as the Case may be), any Action, Suit or other Proceeding in Law or Equity against the President of such Association; and the President of such Association may commence and prosecute any Action, Suit, or other Proceeding in Law or Equity against any Person who may be or who may have been an Associate or Shareholder of such Association, either alone or jointly with any other Person, against whom such Association may have any Demand whatever. All such Suits or Proceedings by or against such President shall be conducted, and have the same legal Effect, as if such Associate or Shareholder had never been a Member of such Association; nor shall any Action or

Appendix (E.)

Suit be in any way affected by reason of the Plaintiff's or Defendant's, or any other Person who may be in any way interested in such Action, being or having been a Shareholder or Associate of such Association; nor shall it be necessary, in any Process, Pleading, or Proceeding in behalf of or against any such Association, to name the Individuals composing the same.

Interest in Stock or Dividends not to be set off against such Demands.

Sect. 3. No Claim or Demand which any Associate or Shareholder may have in respect to his Share or Interest in the Capital or Joint Stock of any such Association, or of any Dividends, Interest, or Profit thereon, shall be capable of being set off, either in Law or in Equity, against any Demand which such Association may have against any Associate or Shareholder thereof; but all other Demands may be set off in the same Manner as in Suits between Individuals; and in any Suit against the President of any such Association, as President thereof, he may set off Demands belonging to it, in the same Manner and with the same Effect as if such Association was the nominal Party in the Cause.

An Act concerning Foreign Bank Notes. [*Passed May* 7, 1839.]

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Restrictions as to Foreign Bank Notes.

Sect. 1. From and after the Passage of this Act it shall be unlawful for any incorporated Banking Institution within this State, and for any Association or any Individual or Individuals authorized to carry on the Business of Banking by virtue of the Act entitled "An Act to authorize the Business of Banking," passed the 18th day of April 1838, to receive, pay out, give, or offer in Payment as Money to circulate, or attempt to circulate as Money, any Bill, Note, or other Evidence of Debt issued or purporting to have been issued by any Corporation, Association, or Individual situated or residing without this State, and which Bill, Note, or other Evidence of Debt shall, upon any Part thereof, purport to be payable or redeemable at any Place, or by any Person, Association, or Corporation, within this State.

Restrictions.

Sect. 2. It shall not be lawful for any incorporated Banking Institution within this State, or any Association or Individual or Individuals authorized to carry on the Business of Banking by virtue of the said Act entitled "An Act to authorize the Business of Banking," directly or indirectly to procure or receive from any Corporation, Association, or Individual, situated or residing without this State, any Bank Bill or Note, or other Evidence of Debt in the Similitude of a Bank Bill or Note, issued or purporting to have been issued by such last-mentioned Corporation, Association, or Individual with the Intent to issue and pay out, or in any Way to utter or circulate the same as Money, or to issue, pay out, or to utter or circulate the same, when procured or received as aforesaid as Money. But nothing in this Section contained shall prohibit the said Banking Institutions, Associations, and individual Bankers, in the first Part of this Section mentioned, from receiving from their Dealers and Customers such Foreign Notes as are allowed by Law to be circulated within this State in the regular and usual Course of Business, or from paying out the same when so received as last aforesaid.

Notes under Par.

Sect. 3. It shall not be lawful for any incorporated Banking Institution within this State, or any Association or any Individual or Individuals authorized to carry on the Business of Banking by virtue of the said Act entitled "An Act to authorize the Business of Banking," directly or indirectly to lend or pay out for Paper discounted or purchased by them any Bank Bill or Note, or other Evidence of Debt, which is not received at Par by the said Banking Institution, Association, or Individual, for Debts due to the said Banking Institution, Association, or Individual.

Penalty.

Sect. 4. Every Corporation and every Association and Individual authorized to carry on the Business of Banking who shall offend against any of the Provisions of the previous Sections of this Act shall forfeit for each and every Offence the Sum of One thousand Dollars, to be recovered with Costs of Suit in the Name and for the Use of any Person who shall sue for the same, and prosecute such Suit to Judgment in any Court having Cognizance thereof, and every Officer and Clerk of such Corporations and Associations, and every such individual Banker, and his Clerks and Servants, who shall knowingly act or assist in any Violation of any Provision of this Act, shall, upon Conviction, be deemed guilty of a Misdemeanor, and shall be punished by Fine or Imprisonment, or both, in the Discretion of the Court before which such Conviction shall be had; but such Fine shall not exceed Five hundred Dollars, and that such Imprisonment shall not exceed Six Months.

Sect. 5. This Act shall take effect immediately on its Passage.

An Act relating to the Redemption of Bank Notes. [*Passed May* 4, 1840.] Appendix (E.)

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Agents to be appointed in New York or Albany.

Sect. 1. Every moneyed Incorporation in this State having Banking Powers, and issuing Bills or Notes of Circulation, and every Banking Association and individual Banker carrying on Banking Business under the Act to authorize the Business of Banking, except those whose Place of Business is in the Cities of New York, Albany, or Brooklyn, shall, on or before the First Day of July next, appoint an Agent, who shall keep an Office in the City of New York or Albany for the Redemption of all Circulating Notes issued by such Corporation, Banking Association, or individual Banker, which shall be presented to such Agent for Payment or Redemption.

Their Commissions to be filed in Comptroller's Office.

Sect. 2. Such Agent shall be appointed in Writing, and such Appointment in Writing shall be delivered to the Comptroller on or before the Day above mentioned, and filed in his Office; and any Corporation having Banking Powers, Banking Association, Banker, or other Person, may be an Agent for the Purposes of this Act; and if any such Incorporation, Association, or Banker shall omit to appoint such Agent within the Time above mentioned, the Comptroller shall appoint such Agent for such Corporation, Association, or Banker.

List of Agents to be published.

Sect. 3. The Comptroller, immediately after the said First Day of July, shall publish, during such Time as he may deem proper, a List of such Agents in the State Paper, and in at least Two Daily Newspapers in the City of New York, the Expense whereof shall be paid by the Corporation, Associations, and Bankers above mentioned.

Notes to be redeemed.

Sect. 4. It shall be the duty of every such Corporation, Banking Association, and individual Banker, out of the Cities of New York, Albany, and Brooklyn, to redeem and pay on Demand all Circulating Notes issued by such Corporation, Banking Association, or individual Banker, presented for Redemption or Payment at the Office of their said Agent in the City of New York or of Albany, at a Rate of Discount not exceeding One Half of One per Cent.

Penalties for Neglect.

Sect. 5. Every such Corporation, Banking Association, or individual Banker, whose Agent shall neglect or refuse to redeem their Notes on Demand as aforesaid, shall pay to the Person making such Demand Interest upon the Notes so demanded, at the Rate of Twenty per Cent. per Annum; and if such Redemption and Payment of Interest is not made at said Office within Twenty Days from the Time when first demanded, such Corporation, Banking Association, or individual Banker shall be liable to be proceeded against by the Bank Commissioners, in the same Manner and with the like Effect as any incorporated Bank may be proceeded against for a Violation of its Charter; and such Corporation, Banking Association, or individual Banker shall not thereafter issue or put in Circulation any of their Bills or Notes; and the Comptroller shall in that Case proceed in the same Manner as is directed in the Fourth Section of the Act entitled "An Act to authorize the Business of Banking," passed April 18, 1838.

Agents to be appointed by new Associations.

Sect. 6. Every Association and individual Banker who shall hereafter commence Business under the Act to authorize the Business of Banking shall, upon first receiving any Circulating Notes from the Comptroller, appoint an Agent for the Purposes of this Act, and be subject in all respects to the Provisions of this Act; and the Comptroller is hereby directed not to deliver any Circulating Notes to such Association or Banker, until such Appointment is made and filed in his Office; and such Appointment shall be immediately published by the Comptroller in manner aforesaid.

Appointments may be revoked.

Sect. 7. Appointments of Agents made in pursuance of this Act may be revoked, and new Appointments of Agents may be made from Time to Time, by delivering such Revocation and Appointment to the Comptroller, who shall cause the same to be published as aforesaid.

A Number of Banks may appoint a common Agent.

Sect. 8. It shall be lawful for any Number of incorporated Banks, Banking Associations, and private Bankers, by Agreement, to associate together for raising a joint Fund to be placed in the Hands of their common Agent, for the Redemption of their Circulating Notes in the City of New York or Albany, and also the Circulating Notes of other incorporated Banks, Banking Associations, and individual Bankers, in such Manner and under such Regulations as may be agreed upon, and to employ such Agents and Clerks as they may deem necessary to carry on the Business of such common Agency; but nothing in this Section contained shall authorize the Redemption or Purchase by such Agency of any Circulating Notes at a Discount of more than One Half of One per Cent., nor to relieve or to discharge such incorporated Bank, Banking Association, or individual Banker from any Duty or Liability required or imposed by this Act.

Saving Clause.

Sect. 9. Nothing in this Act contained shall be so construed as to authorize any incorporated Bank, Banking Association, or individual Banker to purchase, buy in, or take up, directly or indirectly, their Circulating Notes at an Amount less than what purports to be due thereon, at any other Place or in any other Manner than is directed in and by this Act.

Appendix (E.)

An Act respecting the Appointment of Receivers of Moneyed Institutions.
[*Passed April* 27, 1841.]

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Receivers to be appointed by Bank Commissioners.

Sect. 1. Whenever in Proceedings in the Court of Chancery against any moneyed Corporation, or any Banking Association or individual Banker, formed or transacting Business under the "Act to authorize the Business of Banking," passed April 18, 1838, it shall become necessary or expedient to direct the Appointment of a Receiver of the Effects of any such Corporation, Association, or Banker, or in the Case of the Death or Resignation of any such Receiver, an Order shall be entered by such Court referring to the Bank Commissioners to name a proper Person to be appointed such Receiver, and to take from said Receiver such Security, and in such Penalty as they shall deem proper, for the faithful Discharge of his Duties; the Sufficiency of such Security shall be determined by them in the Manner now provided by the Rules of the Court of Chancery for ascertaining the Sufficiency of Sureties, and for accounting whenever required; and on the filing of a Certificate by the Bank Commissioners, naming any Person to be appointed such Receiver, together with the Bond given by him, an Order shall be entered by the said Court appointing the Person named in such Certificate Receiver of the Effects of such Corporation, Association, or Banker, with the usual Powers of Receiver in such Cases.

To be subject to Direction and Control of Commissioners.

Sect. 2. Such Receiver shall be subject to the Direction and Control of the Bank Commissioners in respect to the Collection and Management of the Effects of such Corporation, Association, or Banker, and with their Assent may compromise and compound any Claims or Demands of such Corporation, Association, or Banker, and may extend the Time for the Payment of any such Claims or Demands, and may sell any Effects in his Hands at public Auction or at private Sale, and on such Times of Credit as may be deemed most for the Interest of all Parties concerned.

How to be removed.

Sect. 3. Whenever the Bank Commissioners shall be dissatisfied with the Proceeding of any Receiver of the Effects of any such Incorporation, Association, or Banker hereafter appointed, they may, by Writing under their Hands, certify to the Court of Chancery that such Person should be removed from his Appointment of Receiver; and on filing such Certificate in the Court by which such Receiver was appointed, such Court shall enter an Order removing him; and thereupon a further Order shall be entered referring it to the Bank Commissioners to appoint a Receiver in the Place of the Person so removed, and the same Proceedings shall be had thereon as provided in the First Section of this Act in the Case of an original Appointment, and the Receiver so appointed shall possess the like Powers and be subject to the same Directions as provided by this Act in case of an original Appointment.

Pay of Receivers.

Sect. 4. The Receivers to be appointed under and in virtue of this Act shall be entitled to the same Commissions and Compensation for their Services as are now allowed by Law to Executors and Administrators, and no greater or other Commissions or Compensation than is hereby allowed shall be received or retained by them.

Sect. 5. This Act shall take effect immediately.

An Act to abolish the Office of Bank Commissioner, and for other Purposes.
[*Passed April* 18, 1843.]

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Banks to return Statement of Circulating Notes to Comptroller,

and deposit their Plates.

Time allowed to countersign and register Notes.

Sect. 1. Every chartered Bank shall take an Account of its Notes for Circulation on the First Day of July, Eighteen hundred and forty-three, and shall return to the Comptroller, under the Oath of the President and Cashier, a Statement of all the Notes of the Bank which it has in possession, or in any way outstanding or in circulation on that Day, specifying the Amount of Bills of each Denomination, and the aggregate Amount of the whole Circulation, and shall, at the same Time, deposit with the Comptroller their Plates; and no Bank shall, after the Time in that Day to which the Return of the President and Cashier is made up, issue any of its own Notes which have not been countersigned and registered by the Comptroller; but if the Comptroller shall be unable to supply any Bank with countersigned and registered Notes as fast as such Bank may require, on and after the First of July, Eighteen hundred and forty-three, such Bank may be permitted by the Comptroller to re-issue so much of its old Circulation, within the Limits prescribed by Law, as may be necessary, not exceeding the Amount returned to be outstanding on that Day, nor shall any such Issue take place until an Application has first been made to the Comptroller for countersigned and registered Notes, and refused; and provided also, that the Stockholders of any chartered Bank shall be individually liable for all the Notes of its old Circulation which shall be outstanding on and after the First of July, Eighteen hundred and

and forty-four; and after the First Day of July, Eighteen hundred and forty-four, no Bank shall pay out any Note of any Bank which has not been countersigned and registered at the Comptroller's Office as herein provided. And all the Notes of any Bank issued prior to the First July, Eighteen hundred and forty-three, not countersigned and registered, or delivered to the Comptroller to be countersigned and registered, shall, on or before the First of July, Eighteen hundred and forty-four, be redeemed and destroyed in the Presence of the Comptroller, or of some Person to be appointed by him for that Purpose; and a Certificate of the counting and Destruction of the Notes certified to be destroyed shall be signed and sworn to by the Comptroller or his Agent, and an Agent appointed by the Bank, and deposited in the Comptroller's Office.

Certain Notes to be redeemed and destroyed.

Sect. 2. It shall be the duty of the Comptroller to receive and safely keep the Plates to be delivered to him by the Banks as prescribed in Section First, and at all Times to cause to be printed from said Plates, and to deliver to each Bank, such Notes, and of such Denomination as is now allowed by Law, as the Bank owning such Plates may require, not exceeding, together with outstanding old Circulation, and with the Notes previously received, the Amount of Circulation now allowed to such Banks by Law; and it shall also be the Duty of the Comptroller to employ suitable Persons whose Duty it shall be to countersign such Bills in such uniform Manner as the Comptroller may prescribe; and every Note so countersigned shall, before it is delivered to the Bank, be registered in a Book to be kept by the Comptroller for that Purpose; and the Expenses of preparing, countersigning, and registering such Notes shall be paid to the Comptroller by the Banks receiving the same, in proportion to the Number of Notes received. And it shall be competent for the Comptroller, when the Plates of any Bank are worn or otherwise unfit for Use, to require such Bank to furnish new Plates, or to procure them himself, at the Expense of such Bank.

Comptroller to keep Plates, and print and deliver Notes to Banks, registered and countersigned.

Sect. 3. Every Bank and Banking Association shall make a quarterly Report to the Comptroller, commencing on the First Monday of August next, to be continued on the First Days of November, February, May, and August thereafter in each and every Year; which said Report shall be made on the Oath of the President and Cashier, and shall contain a true Statement of the following Items, on the Morning of the said First Mondays of August, before any Business of that Day: Loans and Discounts, Over Drafts due from Banks, due from Directors of said Bank, due from Brokers, Real Estate, Specie, Cash Items, Stocks and Promissory Notes, Bills of solvent Banks, Bills of suspended Banks, Loss and Expense Account, Capital, Circulation (distinguishing that received from the Comptroller from the old outstanding Bills), Profits, Amount due to Banks, Amount due to Individuals, Amount due to Treasurer of State, Amount due to Commissioners of Canal Fund, Amount due to Depositors on Demand, Amount due not included under either of the above Heads. And it shall be the Duty of the Comptroller to publish said Reports together in the State Paper, accompanied with a Summary of the Items of Capital, Circulation and Deposits, Specie and Cash Items, public Securities and private Securities; and the separate Report of each Bank shall be published in a Newspaper published in the County in which such Bank is situated, at the Expense of said Bank.

Every Banking Association to make a quarterly Report to Comptroller.

Sect. 4. The Comptroller shall publish the Reports and Summary required by the Third Section, together, in One Paper, on or before the Twentieth Day of August, November, February, and May in each Year, and the Expense of such Publication shall be defrayed by a Per-centage assessed upon the Capital Stock of all the Banks and Banking Associations of the State; and if any Bank shall fail to furnish to the Comptroller its quarterly Report in Time for such Publication, it shall forfeit and pay to the Comptroller the Sum of One hundred Dollars, to be applied by him to the Payment of the Expense of publishing the quarterly Reports; and if any Bank or Banking Association shall neglect or refuse to make the quarterly Report required by the Third Section for Two successive Quarters, it shall forfeit its Charter (if an incorporated Bank), and its Privileges as a Banking Company, if organized under the Law of April 1838, and may be proceeded against, and its Affairs closed, in any Manner now provided by Law in case of an Insolvent Bank or Banking Association.

Report and Summary to be published.

Sect. 5. Whenever it shall appear, from the Reports made by any Bank, or in any other Way, that the Capital of any Bank has become impaired and reduced, it shall be competent for the Comptroller to call upon such Bank to redeem its Circulation while its Capital continues so reduced, so that the Circulation of such Bank shall not exceed that to which its reduced Capital would by Law entitle it.

Provision in case of Capital being impaired.

Sect. 6. The Office of Bank Commissioner is hereby abolished; provided, however, that it shall be competent for the Comptroller, whenever he shall have good and sufficient Reason to suspect the Condition of any Bank, or the Correctness of its quarterly Report, to appoint a special Agent to examine the Affairs of such Bank, and who for that Purpose shall have the same Powers now vested by Law in a Bank Commissioner. And the Expenses of such Investigation, if such Bank shall be proved to have made a false Return, or otherwise to have been guilty of a Violation of Law, shall be paid by said Bank; but if it appear that such Bank has violated no Law, then the Expenses of such Examination shall be defrayed in the same Manner as is herein provided for defraying the Expenses of the Publication of the quarterly Reports.

Office of Bank Commissioner abolished.

Provision relative to Safety Fund Dues.

Sect. 7. Any Bank may, at its Pleasure, on paying its Dues to the Safety Fund, and on depositing with the Comptroller an Amount of Money equal to the whole Amount which any such Bank would be liable to pay to the Safety Fund during the Time of its original Charter, and all other Debts and Demands against it, wind up its Affairs, distribute its Assets among its Stockholders, and resign its Charter, and close its Business, by a Resolution passed at a Meeting of the Stockholders, and approved of by a Majority of Stockholders in Interest of such Bank called for that Purpose, a Copy of which Resolution shall be furnished to the Comptroller, and shall also be published for Three successive Weeks in the State Paper; and if any outstanding Notes or other Demands are not presented within One Year, such Bank may deposit with the Comptroller, or elsewhere under his Direction, and subject to his Order, on Interest, a Sum sufficient to meet such outstanding Demands, which, when presented to the Comptroller, shall be paid by him out of such Sum; and such Bank may distribute among its Stockholders the Surplus of its Assets, and after Six Years from the Day on which Publication of Dissolution was first made, the Comptroller shall return to the Stockholders, to be distributed, the Remainder of any of the Sum so deposited.

Repeal.

Sect. 8. All Acts heretofore passed that conflict with the Provisions of this Act are hereby repealed.

An Act to amend the Act passed May 14*th*, 1840, *entitled*, "*An Act to amend the Act entitled an Act to authorize the Business of Banking.*"

[*Passed May* 6, 1844.]

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Sect. 1. The Third Section of said Act is hereby amended so as to read as follows:

Associations and individual Bankers to deposit Securities with Comptroller.

No Association of Persons shall commence the Business of Banking under said Act until such Association shall have deposited with the Comptroller the Securities required by Law, to the Amount of One hundred thousand Dollars; and no individual Banker or Bankers shall commence the Business of Banking under said Act, or receive Circulating Notes under the same, until such individual Banker or Bankers shall have deposited with the Comptroller the Securities required by Law, to the Amount of Fifty thousand Dollars.

Individual Bankers to report if any others are interested with them.

Penalty for neglecting to do so.

Sect. 2. Each and every individual Banker now doing Business under the general Banking Law of this State, or who shall, before this Law takes effect, have received Circulating Notes under the said Act, shall state in his quarterly Reports whether any Person or Persons, and who, are interested with such individual Banker, directly or indirectly, in the Securities deposited with the Comptroller for the Circulating Notes obtained by such individual Banker, or in the Business of circulating said Notes, or the Benefits or Advantages thereof; and if it shall appear from such Report that any other Person is so interested with said Banker, and in case Two successive Reports of said Banker shall not contain such Statement, or if he omit twice in succession to make such quarterly Reports, such Banker shall forfeit One thousand Dollars for each and every Omission to make such Statement, or to file such Reports as aforesaid, to be sued for and recovered by the Attorney General in the Name of and for the Benefit of the People of this State.

Individual Bankers to file Certificate of Residence in Comptroller's Office.

Sect. 3. Every individual Banker who shall heretofore have obtained Circulating Notes of the Comptroller under said Act shall, within Ninety Days after this Act takes effect, file in the Comptroller's Office a Certificate, stating the Town, City, or Village in which he resides; and thereafter it shall not be lawful for such individual Banker to transact Business under said Act in any other Place than in which he resides; and in case of any Change of Residence of such individual Banker he shall forthwith file a Notice thereof in the Comptroller's Office as aforesaid. Any person neglecting to comply with the Requirement of this Section, or either of them, shall for each Neglec forfeit One thousand Dollars, to be sued for and recovered by the Attorney General in the Name of and for the Benefit of the People of this State.

Penalty for Neglect.

Sect. 4. This Act shall take effect immediately.

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I N D E X.

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A.

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ACT 7 *&* 8 *VICT. C.* 32:

1. *General Approval of the Act.*
2. *Evidence in Disapproval.*
3. *Conclusions of the Committee adverse to the Act.*

1. *General Approval of the Act:*

Witness considers that Sir Robert Peel's Act of 1844 has worked remarkably well, and that under it the convertibility of the bank-note has never for a moment been endangered, *Morris* 4. 24, *et seq.*; *Prescott* 4——The failures in 1847 might have been postponed, but not prevented, whilst increased distress would have resulted if the Bank had not been limited by the Act of 1844, *Morris* 8-10. 24, 25. 27. 29. 108. 115. 124, *et seq.*——Prolonged panic and greater mischief but for the Act, *ib.* 8, *et seq.*——Apprehension at one period after the issue of the letter lest the Bank could not maintain the law of 1844; the law was, however, maintained whilst ample assistance was given to the public, *ib.* 58-66——The gradual influx of bullion before the issue of the Government letter would not have taken place if the Act of 1844 had not restricted the circulation; the panic, in fact, could not have been prevented if the Act had not been in operation, *Morris* and *Prescott* 132-140.

Further approval of the restrictions upon the circulation under the Act of 1844; they lead to a result similar to that effected by an extra issue of notes, *Morris* 177-181. 237, 238——Success of the Act in placing the circulation of the country upon a sound basis, *ib.* 181-183——Whether the reserve of the Bank were 8,500,000*l.* or only 2,000,000*l.*, and whether the Act of 1844 had been in operation or not, the Bank would have acted in October last with the same restrictions, *ib.* 325-327——Whether the reserve were 8,500,000*l.* or only 2,000,000*l.* it would not have been wise to have acted differently, *Prescott* 330-333——When the reserve was approaching its minimum the Bank authorities raised the rate of interest, &c., but never entertained the idea of breaking through the Act, *Morris* 351, 352.

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1. *General Approval of the Act*—continued.

to issue might be removed; as it is there is merely a precaution against unwise management, *Morris* 392–394——Witness further expresses his decided opinion that the Act of 1844 has worked well, and has not induced or aggravated the recent distress, *ib.* 562, 563 ——The Bank Directors are almost unanimous in favour of the Act, *ib.* 564, 577, 624.

Witness concurs in the opinion of Mr. Morris, and considers that it is not desirable to make any alteration in the Act of 1844, *Prescott* 565, 578.

Witness considers that the pressures in 1847 were in no way owing to the conduct of the Bank and the management of the circulation under the Act of 1844; *Loyd* 1349–1352 ——A reduction of accommodation by the Bank, although inconvenient, is on many occasions salutary and beneficial to commerce, *ib.* 1390-1393——A discretionary management of the circulation, previously to 1844, having failed, the Act of that year was passed to correct proved defects, and to lay down a certain mode of regulating the currency, *ib,* 1469, 1470——Principle upon which 14,000,000 *l.* was fixed as the surplus amount of notes to be issued by the Bank, *ib.* 1490, 1491.

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Opinion that the Act of 1844 had a most beneficial effect in 1847, and tended to keep things in their natural and legitimate course, *Norman* 2681 *et seq.*——As regards the pressure in the spring, the Act hastened or aggravated it, but not injuriously so, *ib.* 2685–2688——The pressure in the autumn would equally have taken place if the Act had not been in existence, *ib.* 2685. 2689——Necessity under any circumstances of a contraction of issues with reference to the payments for the importation of food, *ib.* 2775–2779—— Much greater exhaustion of the treasure in the Bank as well as, or instead of, the reserve, if there had been no contraction in April, *ib.* 2780, 2781——Witness strongly deprecates any alteration in the Act, *ib.* 2797.

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2. *Evidence in Disapproval:*

Opinion that the Act of 1844, whilst it compels the Bank in times of pressure to put restraints upon commerce earlier than would otherwise be necessary, does not prevent a greater pressure and distress, *Palmer* 696, 697——Witness objects so strongly to the Act that he desires its repeal altogether, *ib.* 877-880——With a power of issue to the extent of 14,000,000 *l.* or 16,000,000 *l.*, with a power of relaxation under the sanction of Government, and without any weekly publication, there need be no difficulty in carrying out an Act for the governance of the Bank, *ib.* 877-880. 884-887.

Effects of the Restriction of the Currency Act of 1844, in compelling the Bank suddenly to contract its accommodation, thereby causing serious derangement in the money market and much distress, *Gurney* 1098, *et seq.*——The theory of the Act of 1844 was to place currency on a sound basis, *ib.* 1164. 1166——Witness considers that the Act has decidedly failed in securing safety, and that in time of pressure it aggravates distress, *ib.* 1165, 1166——The principle of the Act in regard to a restricted issue is good, but the practice is dangerous, *ib.* 1201. 1207, 1208.

The pressure in February 1846, in April 1847, and in the autumn 1847, all show that the Act of 1844 aggravated commercial distress, *Gurney* 1226–1228——Witness was at first favourable to the restriction of the issue to fourteen millions, but experience has shown him that the limit is too low, *ib.* 1234–1237——In fact but for the Act the pressure on the money market in 1847 would not have been very material, *ib.* 1259—— Under adverse circumstances any limitation in the amount of accommodation should be gradual, *ib.* 1267.

Grounds upon which witness considers that the Act has operated injuriously during the recent distress, and that the restrictions of the Act are inadvisable, *Glyn* 1669, *et seq.* ——Under the Act of 1844, the Bank had not the wherewithal to make further advances to the public had they been applied for, *ib.* 1723, 1724. 1916–1920——Consideration as

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2. *Evidence in Disapproval*—continued.

to the action of the Bank in 1825 and 1847 respectively; deduction (as drawn from the advantage of the liberal issue and accommodation in the former year), unfavourable to the restriction under the Act of 1844, *Glyn* 1728-1733. 1757-1767——Until the pressure in 1847, witness was in favour of the Bank direction being relieved from the management of the circulation, but he now considers that the experiment has decidedly failed, *ib.* 1813-1817 ——The effect of the Act did not really come before the public till the spring of 1847, *ib.* 1818——The fourteen million clause of the Act of 1844 should in fact be repealed, *ib.* 1878——The knowledge of the restriction to fourteen million was in fact the cause of the panic in 1847, *ib.* 1906, 1907.

The Act of 1844 is a very great evil, *Brown* 2223. 2359-2361. 2374——It is probable that the restrictions under the Act induced the Bank to contract their issues more suddenly than they would otherwise have thought necessary, *Lister* 2523-2526——The Act is a step in the right direction, but is imperfect, *ib.* 2558. 2563. 2569——Any unalterable limitation of the currency is a great evil, *Gurney* 2663.

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The distress in Scotland in 1847 was aggravated by the Acts of 1844 and 1845, *Anderson* 3570; *Kinnear* 3653-3659——The restrictions in the Acts of 1844 and 1845 are unnecessary and injurious, *Anderson* 3571 *et seq.*; *Kinnear* 3678 *et seq.*——As far as regards the restriction of the paper currency, the Act of 1844 is altogether founded upon a wrong principle, *Anderson* 3574, 3575——Importance of the repeal of the restrictive clauses of the Acts of 1844 and 1845, *ib.* 3633. 3640, 3641.

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3. *Conclusions of the Committee adverse to the Act:*

The Committee have come to the conclusion that the recent panic was materially aggravated by the operations of the Act 7 & 8 Vict. c. 32, *Rep. p.* iv, *et seq.*——The legislative restriction imposed on the means of accommodation, whilst a large amount of bullion was held in the coffers of the Bank, was an aggravation of the panic and distress, *ib.* ——The Act was virtually and most wisely annulled by the Treasury letter of 25th October, thus showing the unsoundness of an inflexible rule in regard to the amount of issues, *ib.* x-xvii.

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Further statement that the restrictive provisions of the Act and the application of one inflexible rule under varying circumstances materially aggravated the pressure and produced the panic of October 1847, *Rep. p.* xliv.

The Committee do not recommend an absolute repeal of the Act, *Rep. p.* xlv.——The Act should be continued, accompanied by a discretionary power of relaxation, to be vested in the Bank under an improved constitution, *ib.* xlv-xlvii——Summary of disasters which the operation of the Act has not been effectual to check, *ib.* xlvi.

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3. *Conclusions of the Committee adverse to the Act*—continued.

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See also *Bank of England. Bullion (or Specie). Circulation. Convertibility of Bank Note. Cotton Trade. Country Banks. Efflux of Bullion. Extension of Issue. Foreign Exchanges*, 3, 4. *Glasgow. Government Interposition. Liverpool. Nottingham Banks. Panic. Peel, Sir Robert. Prospective Legislation. Rate of Interest (Bank of England). Relaxation of Act of* 1844. *Reserve (Bank of England)*, 6. *Scotland*, 7. *Treasury Letter of 25th October.*

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Bank of England:

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1. *Constitution and Functions of the Court of Directors:*

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Mode of election of the Governor and Deputy-Governor, *Morris* 650, 651——Exceptional mode of election of the present Deputy-Governor, *ib.* 652——They are elected for two years, *ib.* 657——The Deputy-Governor invariably succeeds the Governor, *ib.* 658——Instances of re-election of Governors, *ib.* 659, 660——It has recently been arranged that the Court may recommend for Governor and Deputy-Governor those Directors whom they deem best qualified, without reference to the system of rotation, *Cotton* 3302, 3303. 3308.

Functions devolving on the Governor and Deputy-Governor; practically speaking, the whole administration of the Bank is vested in them, *Morris* 653-656. 671——Practical experience, as one of the Committee of Treasury, of the Deputy-Governor on succeeding to the chair, *ib.* 661——Constitution and functions of the Committee of Treasury; their recommendations are not so regularly adopted by the Court as they ought to be, *ib.* 663-671——The Committee of Treasury take into consideration all matters of more than usual importance, *Prescott* 666.

Everything is finally settled by the Court of Directors, whose approval is necessary in the case of any act of the Governor between the sittings of the court, *Glyn* 1779-1781——All questions are decided by a majority of votes, *ib.* 1779——The Committee of Treasury are advisers to the Governor, *ib.* 1781.

2. *Suggested Amendment of the Constitution of the Court:*

For the due administration of the circulation, the constitution and system of the Bank Court are not such as they ought to be; amendments suggested, *Glyn* 1777-1787, 1797——Evil in having such questions as that of the rate of interest settled by a bare majority of the court, *ib.* 1782——Evil in the power of the court to change the action of the Bank from week to week, *ib.* 1782. 1908——Suggestion that the court comprise certain persons, to be styled commissioners, appointed for certain periods, under Act of Parliament, *ib.* 1782. 1784, 1785. 1908-1910——The exclusion of private bankers from the court is not right, *ib.* 1786, 1787.

Further evidence as to the expediency of certain alterations in the constitution of the Bank direction, *Glyn* 1908-1911——The Governor should be elected for a longer period than at present, *ib.* 1910, 1911——Any exposure to frequent change of management is a great evil, *ib.* 1911.

Government might possess a vote upon the appointment of Governor and Deputy-Governor, *Brown* 2228, 2229. 2237, 2238; *Lister* 2606——Disadvantage of the quick rotation of Governors, *Brown* 2246-2248——Advantage if the Governor and Deputy-Governor of the Bank were appointed for life, *Lister* 2604——It would be better not to require so many Directors to go out by rotation, *Cotton* 3302——The Governor and Deputy-Governor should be elected or re-elected every year, *ib.* 3304-3307.

Propriety of abandoning the system of election of Governor and Deputy-Governor by rotation, *Rep. p.* xlvii——Suggestions by Mr. Glyn for an improved constitution of the court adverted to as deserving of consideration, *ib.* xlviii.

3. *Character of the General Management since* 1844:

The Bank has always paid every regard to the support of the commerce of the country, *Prescott* 384——Consideration given to the rate of discount in the money market in fixing the bank-note, *Morris* 487-493——Due consideration given to the state of the Bank reserve in raising or lowering the rate of discount as compared with the rate out of doors, *Morris* 493-505. 608-610. 620; *Norman* 2713-2717. 2782.

Approval of the plan of checking the demand by raising the price of the accommodation, *Morris*, 493 *et seq.* 551. 554-557——In employing or granting the reserve, the Bank act just as other bankers would do *ib.* 608-612. 620——Any evil inflicted by the proceedings of the Bank upon the commercial community would fall back on itself, *ib.* 612——Greater profits of the Bank when money is scarce and interest high, *ib.* 613-619——Amount of dividends recently paid by the Bank, *ib.* 614-617.

The principle as adopted more especially since the Act of 1844, that the Bank is to look to its own interest alone, just as private bankers do, and be guided by the state of the reserve, is not sound, *Palmer* 844-846. 856-859. 881-884; *Gurney* 1172-1182. 1269. 1274, 1275. 1328, 1329——Witness at first approved of that portion of the Act enabling the Bank to act as private bankers, *Gurney* 1271-1274——Natural wish of the Bank Direction to raise the Bank dividend, by increasing their rate of interest, *ib.* 1328, 1329.

Under the Act of 1844, the Bank adopted a new practice in regard to discounts, and became competitors with the usual supplies of money to the mercantile classes, *Glyn* 1670-1678. 1682-1684. 1813, 1814——The Bank Direction has, on the whole, managed

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3. *Character of the General Management since* 1844—continued.

affairs extremely well; there are, however, exceptions to this rule, *Glyn* 1782. 1795, 1796. 1806——It is a mistaken theory for the Bank to act in its banking department as ordinary bankers do, *ib.* 1898.

Recent increase in the Bank dividends adverted to, *Marshall* 1936–1939——There is no return of the amount of the dividends in past years, *ib.* 1940.

Evil consequent upon the management of the Bank not having secured the confidence of the public, *Wylie* 2125——There should be no monopoly in banking, *ib.* 2199——Nor any control save self-interest, with a certain responsibility, *ib.* 2199–2201.

In its general action the Bank takes an enlarged view of its interest, which on the whole coincides with the public interest, *Norman* 2769–2772——The Bank is bound to act as a national institution, *ib.* 2771——Under the Act of 1844 the Bank acts stringently or otherwise according to the state of the reserve and with a view to their own profits, *Wright* 2954–2956.

The Act of 1844 avowedly left the Directors at full liberty to act according to their own views of their corporate interests, *Rep. p.* iv. xxxiii——Unexampled fluctuations in the rate of discount since the Act of 1844 attributed to the different action of the Bank under that Act, *ib.* xxxiii-xxxvi——Reference to the admission that the rate is mainly regulated by the state of the reserve in the banking department, *ib.* xxxiv.

Increased profits of the Bank adverted to as a consequence of the Act of 1844, *Rep. p.* xxxvi——Comparison of the rates of discount of the Bank of England and the Bank of France; deduction unfavourable to the action of the former Bank, *ib.* xxxvii, xxxviii.

Citation of evidence as to errors in the management of the Bank in 1846 and 1847, *Rep. p.* xxxviii, xxxix.

Expediency of the Bank being managed as a national institution, and not merely with a view to the interest of the proprietors, *Rep. p.* xlvii. l.

4. *Practice previously to* 1844 *in regard to the Rate of Interest:*

Previously to September 1844 it was the rule to have one invariable rate of discount, *Morris* 477–480—— Different rates had been in contemplation before the passing of the Act of 1844, and should have been adopted irrespectively of the Act, *ib.* 481–483——Up to 1839 the Bank was limited by law to charge an uniform rate of interest, *ib.* 517, 518 —— In former pressures, as in 1825, the Bank got right without charging more than five per cent., but in the act of righting itself produced very great distress, *ib.* 542.

Before the adoption of the principle of looking merely to the state of the reserve, the affairs of the Bank were judiciously managed, *Gurney* 1269, 1270.

Reference to the earlier practice of the Bank of England to discount at a rate nearly fixed and uniform, *Rep. p.* xxxiii. xxxiv.——Effect of the former practice to produce steadiness and diminish fluctuation, *ib.* xxxiv.

5. *Practice in April* 1847 *and in the preceding Months:*

Large reserve of the Bank on 22d August 1846; low rate of interest then charged, although higher than the market rate, in order to lower the reserve, *Morris* 497–509—— Reference to the reduction of the Bank rate to two-and-a-half per cent., when the market rate was two per cent, *ib.* 512——Reasons for reducing the rate of interest to three per cent on the 29th August 1846, *ik.* 594–600——Opinion that it would have been more prudent in the Bank if it had put up the rates of discount sooner than it did in the latter part of 1846, *ib.* 601–605——Reasons for keeping the discount rate very low in 1844 and 1845, *ib.* 606-612.

Evidence in explanation and approval of the course taken by the Bank, as bankers, in regard to the rate of interest previously to April 1847, *Palmer* 843–859——The Bank of England, in dealing as a private bank, and by encouraging transactions by an unduly low rate of interest, decidedly aggravated the pressure in the spring, *Gurney* 1098 *et seq.*, 1169. 1171–1176——If the Bank had commenced a restrictive system much earlier than it did, the difficulties which arose in April would have been greatly mitigated, *ib.* 1098–1101. 1106—— Lower rate of interest charged by the Bank than by witness's firm, for several months preceding January 1847, *ib.* 1102–1105——Material and injurious effect of the sudden contraction of accommodation by the Bank in April, *ib.* 1169.

Examination to the effect that the course pursued by the Bank, from January to April 1847, was extremely dangerous, viz., that of permitting a constant increase of its advances on securities whilst there was a continuous drain of its bullion, and a hazardous diminution in the amount of the banking reserve, *Loyd* 1353–1400——The reduction of the reserve by the middle of April to 2,500,000 *l.* was unwarranted and unsafe, *ib.* 1353 *et seq.*——Although there was some decrease as regards public securities, there was a considerable increase as regards private securities, *ib.* 1356–1362——Further reference

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5. *Practice in April* 1847, *and in the preceding Months*—continued.

to the management of the Bank in the months preceding April, as having been extremely indiscreet, *Loyd* 1525-1529.

In April the Bank did everything in its power for the mercantile body, *Glyn* 1648—— Witness attributes the low rate of interest subsequently to September 1844 to the operations of the Bank of England in the money market, *ib.* 1669 *et seq.*

Opinion that the Bank should have raised its rate long before April 1847, inasmuch as an earlier contraction would have checked operations and caused a less violent crisis, *Lister* 2449-2453. 2465-2468. 2530, 2531——There were evident symptoms as early as January 1847 that the exchanges would be against this country, *ib.* 2465, 2466. 2544, 2545.

Less intensity of the pressure in April if the rate of interest had been raised sooner, *Norman* 2690——There was no fair ground for raising the interest earlier than April, *ib.* 2691, 2692——The Bank has never discounted at less than two-and-a-half per cent.; they may have advanced on securities at a lower rate, *ib.* 2783, 2784. 2786.

Fair ground, under the provisions of the Act of 1844, for the great reduction in the Bank rate of interest during several months previously to 1847, *Tooke* 3050-3052—— The rate should have been raised earlier, *ib.* 3051——Belief that but for the Act the rate of interest would never have been reduced so low as two-and-a-half per cent. *ib.* 3080-3087. 3091——When the Bank reserve was very high, the management did everything in its power to reduce it, *ib.* 3083-3086.

Some advances were made by the Bank at a very low rate on long India bills; this was not an uncommon practice, *Cotton* 3202-3205.

Reference specially to the action of the Bank in the latter part of 1846 and the beginning of 1847; defect in not having sooner raised the rate of interest, *Rep. p.* xxxviii, xxxix.

6. *Practice in the Autumn of* 1847:

Examination relative to the rate of discount at the Bank at the period of the issue of the Government letter, *Morris* 443 *et seq.*——Nothing was lent under eight per cent. after Saturday the 23d October, *Morris* and *Prescott* 444——Explanation of the rate of interest charged preceding the Government letter; circumstances under which it was considered proper to charge a certain party nine per cent., *Morris* 445-465——On the 23d of October the Bank discounts amounted to 225,000 *l.*, at rates varying from five-and-a-half to nine per cent., *ib.* 446. 452.

In October the Bank were the chief discounters, *Morris* 462. 465——On and after the 25th October more than eight per cent. was charged for bills not of first quality, *ib.* 466, 467——The fluctuation in the rate in 1847 was inevitable, but if the rate had not been greatly raised there would have been greater distress, *ib.* 519 *et seq.*——If the Bank had discounted at five per cent., they could not long have met the demands upon them, *ib.* 539-541——Any charge in October which was above eight per cent. was in consequence of the bills not being first class, *ib.* 544.

The action of the Bank in autumn last was most injurious on account of the great advance in the rate of interest, *Palmer* 756-770——The operation of the Bank raised to a rate of from eight to ten per cent. what would have been six or seven per cent., *Gurney* 1114, 1115——Reference to the progress of the panic of autumn last, as showing that it was decidedly aggravated by the great advance in the Bank rate of interest, *ib.* 1098 *et seq.* 1168. 1183-1200——Legitimate commerce was materially injured by the advance in the rate, *Gurney* 1305-1312; *Tooke* 3008, 3009. 3134, 3135.

In autumn last the Bank might with perfect safety have kept its interest down to five per cent. but for the Act, *Gurney* 1312-1314——Evidence to the effect that, instead of a restricted accommodation in October, the Bank supplied accommodation to an extent almost unprecedented, *Loyd* 1416-1429. 1547. 1551—— Opinion that the rate of interest was not unreasonably high in the autumn, and that it was not the result of the operation of the Act of 1844, *Norman* 2707-2710——Advantage of the gradual rise in the rate of interest between April and October last, inasmuch as it encouraged the importation of the precious metals, and prevented parties from hoarding, *Cotton* 3220-3226.

7. *Question as to Danger of Suspension of Payment in October:*

Particulars as to the amount of the Bank reserve in October, with reference to the question of danger of suspension of payment, *Morris* 14. 19. 204. 207. 431. 437-440—— Examination to the effect that, although there was a large amount of bullion in the Bank in October, the Act of 1844 did not, in separating the Issue and Banking Departments, place the Bank in any danger of suspending its payments, *ib.* 20 *et seq.*—— Evidence showing the resources of the Bank at the end of October 1847; belief that they were amply sufficient as a means of meeting all contingencies, and that there was no danger of a suspension of payment, *ib.* 20 *et seq.*, 38-51. 74-94.

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7. *Question as to Danger of Suspension of Payment in October*—continued.

Any danger as to difficulty of payment must first arise at the Bank in London. *Morris* 208, 209——There has never been any distrust as to the safety of the Bank of England, 230, 231——Though there was only 568,470*l.* in notes in the Bank on the 30th October, any large demand, unless it had been very suddenly made, could easily have been met, *ib.* 434-436——Statement showing that the stability of the Bank would not have been endangered by a run on the part of the London bankers, *ib.* 439-442.

Statement to the effect that, through the operation of the Act of 1844, the Bank was placed in such a position, in October 1847, that it was in danger of stopping, so small was its reserve in proportion to its liabilities, *Palmer* 698-712——Power of the London bankers, at this period, to have placed the Bank in danger by withdrawing their balances, *ib.* 704——If the Bank had withheld accommodation during the pressure, the London bankers must necessarily have withdrawn their balances, *ib.* 710-712.

During the panic, any attempt to sell so much as two millions worth of stock would have been impracticable, or, at least, would have sent consols down to sixty, or lower, *Palmer* 821, 822——Nevertheless, some such operation would have been necessary but for the Government letter, *ib.* 823——Opinion, that had there been a bad harvest last year, the Bank must, under the Act, have stopped payment, or have been in great danger of doing so, *Palmer* 833, 834; *Glyn* 1862, 1863——If the application of witness's firm, on the 23d October, and of other houses, about the same time, had been refused, the panic would have greatly increased, and the consequences might have been extreme, *Gurney* 1142, 1143.

Any danger to the Bank occurred in its banking business, *Loyd* 1535——The Bank had sundry available resources in October for warding off a suspension of payment, *ib.* 1539-1545.

Doubt whether the Bank could have sold one or two millions of consols in October; at all events there must have been an immense sacrifice made by the operation, *Glyn* 1836. 1865, 1866; *Brown* 2398, 2399; *Wright* 2946-2948; *Tooke* 3140-3143; *Rep. p.* xiii.-xvii.——Liability of the Bank to a stoppage of payment but for the Government letter, *Brown* 2380. 2389-2327——Any attempt to realize securities in order to pay off the deposits would have been attended with fearful consequences, *Brown* 2398-2400; *Wright* 2946-2948.

Though the Act secured eight or nine million of bullion in the Issue Department, the Banking Department was as near a stoppage as possible, *Lister* 2551 *et seq.*——If the Banking Department could not obtain gold from the Issue Department, it must have stopped payment in the event of a demand for the deposits, *ib.* 2582-2587——Improbability of the Bank having been able, by realization of securities or otherwise, to have paid off the deposits, if a sudden demand had been made, *ib.* 2588-2598.

Witness did not feel any alarm as to the position of the Bank, *Norman* 2704-2706.

Danger during the late panic of the Bank stopping payment in its Banking Department, *Wright* 2938-2953——In October last the Bank was in imminent danger of not being able to pay its depositors, *Tooke* 3026, 3027——Evidence opposed to that of the Governor of the Bank in regard to the resources of the Bank for meeting further pressure at the time of the issue of the Government letter; a recourse to such resources would have produced unprecedented calamity, *ib.* 3140-3143.

Belief that it was quite practicable to have increased the reserve by selling consols or railway securities, *Cotton* 3320, 3321.

The Committee adduce certain evidence and grounds for the conclusion, that in October the ability of the Bank to pay its deposits was in great jeopardy, *Rep. p.* xiii-xvii. xlviii —— The Committee consider that any attempt by the Bank in October to have sold two millions of consols would have been most detrimental, even supposing it to have been possible, *ib.* xiii-xvii.

8. *How far Discounts were refused by the Bank in* 1847:

During October the Bank did not refuse to discount any paper, unless they had a doubt of its solidity, *Morris* 353, 354——Statement as to the Bank having refused to make an advance to the amount of 200,000*l.* upon Exchequer bills and bills of exchange, *ib.* 355-359——The application for this advance was not made in a pressing way, *Prescott* 537——The Bank did not in any case refuse to discount where the fixed rates of interest were consented to, *Morris* 536, 537.

Doubt as to the Bank having refused accommodation to any great extent, *Palmer* 713-716——Reference to a refusal by the Bank to make advances in Exchequer bills, *ib.* 718, 719. 819——Inability of the Bank during the late panic to have given ordinary accommodation, *ib.* 864——The only positive limitation of accommodation by the Bank in 1847 was in April, *ib.* 895 —— Unless individual demands are extravagant, it is not the practice of the Bank in ordinary times to limit the accommodation, *ib.* 896.

Circumstance of the Bank having on 23d October last demanded ten per cent. interest in an advance of 200,000*l.* required by witness on unexceptionable security; nine per cent.

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8. *How far Discounts were refused by the Bank in* 1847—continued.

cent. was subsequently taken, *Gurney* 1118–1120——Statement that the Bank gave immense accommodation in October, *Loyd* 1416-1429. 1547. 1551——Belief that in the autumn the Bank discounted freely to all those who had any right to ask for discounts, *Glyn* 1811, 1812——The accommodation given in 1847 was decidedly not greater than in 1825, *ib.* 1919.

Greater means of the Bank at present than in 1839 to assist the public, *Norman* 2792, 2793——Accommodation very liberally given by the Bank in October last in the country as well as in London, *ib.* 2793, 2794——The Bank did not refuse accommodation in October, but charged a higher rate for it, *Cotton* 3192——Circumstances under which the Bank positively refused to give accommodation for a time in April, *ib.* 3226, 3229-3234——Witness is not aware that any parties were refused accommodation in October, *ib.* 3227, 3228.

9. *System of Classification of Bills:*

Distinctive classes of bills explained with reference to the different rates of discount, *Morris* 467–474——Extent to which the classification of similar bills may be affected by times of panic and ordinary times, *Morris* and *Prescott* 473–476——No notification is now given of the minimum and maximum rates, *Morris* 484-486.

10. *Separation of the Banking and Issue Departments:*

The Act of 1844 did not at all mean to provide for the Banking Department, *Morris* 25——The Bank has practically nothing to do with the Issue Department; the department works itself, *ib.* 26——The system of the Act of 1844, as regards the separation of the Issue and Banking Departments, has been adopted since 1840, *ib.* 30–37——The management of the Banking Department is and must be kept quite separate from that of the Issue Department, *ib.* 310, 311. 374. 381-383. 610, 611——Power of the Banking Department to claim notes for gold from the Issue Department, *ib.* 441, 442.

The great defect of the Act of 1844 is the separation of the Bank into two departments; the circulation and the Banking Department should be subject to the same control, *Palmer* 698. 868——The Banking Department has nothing to do with the circulation, *ib.* 859——Impression that the present division in the management of the Issue and Banking Departments has not worked favourably, *Gurney* 1330–1333.

Statement as to the necessity in considering the operation of the Act of not comprising the question by mixing the Banking Department with the Issue Department, *Loyd* 1402. 1403. 1535. 1538, 1539. 1546. 1547. 1555——The Act has only to do with the Issue Department, *ib*, 1535. 1538——The Issue Department is always prepared to pay its notes in gold, *ib.* 1539.

Way in which the separation of the Issue from the Banking Department had a most mischievous effect during the late pressure, *Brown* 2258–2260. 2310-2315——The specie in the Issue Department was useless during the panic, *ib.* 2311. 2376-2378——If the Banking Department could have made use of the specie in the Issue Department, great benefit would at once have resulted, *Brown* 2312; *Wright* 2943.

Great importance of the separation of the Banking and Issue Departments, *Norman* 2802.

Grounds for the conclusion that the separation of the Issue Department from the Banking Department greatly aggravated the causes of the distress in 1847, *Tooke* 2995, 2996. 3100——The separation of the departments diminishes the power of the Bank to let either department benefit by the smaller demand which there may be upon the one than the other, *ib.* 3053, 3054. 3058——Inconsistency in not restricting the Bank in its Banking Department as well as in its Issue Department, *ib.* 3136.

Reference to the circumstance of the Bank being left free from responsibility in the Issuing Department, and left free likewise to manage the Banking Department on the principle of a private bank, *Rep. p.* iv. xxxiii——The course pursued by the Bank in regard to the rate of interest would hardly have been taken, had not an impression existed that by the separation of the Issue and Banking Departments one inflexible rule for regulating the Bank issues had been substituted in place of the discretion formerly vested in the Bank, *ib.* iv.

11. *Insufficiency of the available Capital of the Bank:*

Inadequate available capital at the Bank of England averted to as one reason for the inadequacy of the Bank accommodation in times of commercial distress, *Brown* 2217. 2262, 2263——The Act of 1844 still further restricts the amount of available capital, *ib.* 2217, 2218——Advantage if a portion of the Government debt was repaid to the Bank, and if some of the unavailable securities were got rid of, *ib.* 2218-2222. 2225, 2226——Importance of rendering the whole of the specie in the Issue Department available for the banking or discount business, *ib.* 2222-2224——Considerations as to the mode of ensuring

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11. *Insufficiency of the available Capital of the Bank*—continued.

a larger amount of specie in the Bank; Government might bear any loss that would otherwise fall on the proprietors, *Brown* 2222. 2230-2236.

Deficiency imputed to the Bank management in its having conducted its business with too low an average amount of treasure, *Tooke* 3045. 3048.

12. *Considerations as to an Increase of Power in the Direction:*

Opinion that it would be extremely dangerous if the Bank were allowed to issue at their discretion beyond fourteen millions in notes, *Morris* 8-10. 189.

Evidence in favour of leaving the whole responsibility of the circulation in the hands of the Bank Court, properly constituted, *Palmer* 751-755; *Glyn* 1770 *et seq.* 1782, 1783. 1793-1799. 1869-1894; *Brown* 2227, 2228. 2239-2245. 2249-2251. 2260, 2261. 2362-2382; *Tooke* 2994. 3146-3155——When the foreign exchanges are favourable there should be no limit beyond the discretion of the Bank to large issues for the sake of restoring confidence, *Palmer* 751-755——Proceedings in 1793 and 1797 adverted to in support of the foregoing doctrine, *ib.* 753, 754.

Expediency of some power of relaxation if the Act of 1844 be maintained, *Gurney* 1166-1168. 1201 *et seq.*; *Lister* 2605; *Kennedy* 3357-3359——A discretionary power may safely be vested in the Bank direction, *Gurney* 1202. 1205, 1206.

Failure, previously to 1844, of a discretionary management of the circulation, *Loyd* 1469, 1470.

Expediency, on the whole, of entrusting the Bank with the power of contracting or extending the circulation according to the state of the foreign exchanges and the home demand, *Glyn* 1770 *et seq.*——It would be better to revert to the old system under which the Bank managed its circulation, *ib.* 1777——Greater danger under the continuance of the present Act, with the expectation by the public of occasional relaxation by Government, than under a system leaving the relaxation and restriction in the hands and at the responsibility of the Bank, *ib.* 1881-1893——The Bank need not be restricted from acting on the principle of the fourteen million clause, *ib.* 1903, 1904.

Expediency of reposing considerable discretion in the managers of the Bank and of allowing them to regulate their proceedings according to their own views of coming events, *Brown* 2227, 2228. 2239-2265. 2249-2251. 2260, 2261. 2362-2382——Examination to the effect that without the Act of 1844 the Bank might, by indiscretion, have placed itself and the public in a worse position eventually, *Lister* 2544 *et seq.* 2603.

Decided objection to the Bank being vested with power of relaxation of the Act in regard to the issue of Bank notes, *Norman* 2799-2802.

Advantage of the power of the Bank in 1825 to use its treasures indiscriminately, *Tooke* 2994——If there were a power in the Bank to suspend the law, such suspension would have taken place earlier than it did, and with much greater advantage, *ib.* 3072, 3073——Expediency of leaving the circulation in the hands of the Bank direction without any legislative control or check, *ib.* 3146-3155.

Increased mischief in April if the Bank had had a relaxing power, and had acted upon it, *Cotton* 3166-3168. 3185, 3186. 3295.

The Committee are strongly opposed to the restriction upon the Bank, and exemplify the impolicy of subjecting it to an unvarying rule, depriving them of all discretion, even when the exchanges are favourable, *Rep. p.* xxii-xxxi——Recommendation that a discretionary power of relaxation be vested in the Bank, under an improved constitution, *ib.* xlvii, xlviii. l.

See also *Accounts* (*Bank of England*). *Act* 7 & 8 *Vict. c.* 32. *American Trade. Bank of France. Branch Banks* (*Bank of England*). *Bullion* (*or Specie*). *Circulation. Consols. Dead Weight* (*Bank of England*). *Deficiency Bills. Deposits* (*Bank of England*). *Efflux of Bullion. Extension of Issue. Government Interposition. Liverpool. Nottingham Banks. Rate of Interest* (*Bank of England*). *Relaxation of Act of* 1844. *Reserve* (*Bank of England*). *Restriction upon Issue. Sale of Securities* (*Bank of England*). *Scotland*, 6. 8. *Securities* (*Bank of England*). *Treasury Letter of* 25*th October.*

Bank of France. Evidence as to there having been less fluctuation in the rate of interest charged by the Bank of France than by the Bank of England, *Morris* 527-534. 545-547; *Palmer* 924-929; *Loyd* 1616-1621; *Glyn* 1694. 1704-1706——Special relief received by the Bank of France during the monetary pressure in 1847, as compared with the Bank of England, *Morris* 530, 531. 546, 547——Witness has heard that the Bank of France refused to discount many first-class bills at five per cent., *ib.* 649——Circumstance of the Bank of France having raised its rate of interest earlier than the Bank of England did in the early part of last year, *Palmer* 934-936; *Glyn* 1740-1742——The discounts granted by the Bank of France during the past year were comparatively trifling in amount, *Loyd* 1620, 1621.

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Bank of France—continued.

Evidence explanatory of the construction of the direction of the Bank of France, *Right Hon. Lord Ashburton* 3323, 3324——The management, ever since its first establishment in 1803, has been singularly successful and fortunate, *ib.* 3323——Amount of remuneration attached to the offices of Governor and Sub-governors, *ib.*——There is a Governor and two Sub-governors who are paid, *ib.*——The Directors are selected from different classes; they have a small payment for each attendance *ib.* 3323, 3324. 3347-3349——The detail of the management is mainly with the Sub-governors, *ib.* 3324.

The system has been extremely successful and gives general satisfaction, *Right Hon. Lord Ashburton* 3324——The rates of the Bank vary very little between four and five per cent.; they never exceed five, and have hardly ever been less than four per cent., *ib.* ——The discounts of commercial paper by the Bank of France are larger than such discounts are by the Bank of England, *ib.* 3324. 3345——Paper connected with real or legitimate trade is always discounted, but speculative paper is rejected, *ib.* 3324. 3326-3328. 3335, 3336——The bank has no legal minimum rate of interest, *ib.* 3325——There is no limitation upon the bank in regard to its issues, *ib.* 3329——Generally speaking there is a large store of bullion, *ib.* 3330, 3331.

The circulation of the notes of the bank is very much confined to Paris, *Right Hon. Lord Ashburton* 3332——There are now some branches of the bank, but their operation is not considered satisfactory, *ib.*——It is only lately that there has been an issue of notes of less value than 500 francs; there are now notes of 100 francs value, *ib.* 3333. 3343, 3344——The Bank of France stand in the same position as the Bank of England does towards Government, except that they have nothing to do with the payment of their dividends, *ib.* 3337-3341——The notes of the Bank of France may be paid in gold or silver, *ib.* 3342——The bank is perfectly independent, and government have no power to enforce the adoption of any particular steps, *ib.* 3346.

Rates of discount of the Banks of England and France compared; more wholesome practice of the latter, *Rep. p.* xxxvii, xxxviii.

Bank of Ireland. Witness is governor of the Bank of Ireland; has been a director of the Bank for some years, *M'Donnell* 4106-4109——The Bank of Ireland did not refuse any application for accommodation proceding from its ordinary customers, nor any application where the bill offered did not imply speculation, *ib.* 4111-4161. 4184-4187——The Bank do not feel bound to grant accommodation in the case of bills coming from Scotland and England, *ib.* 4115, 4151-4155——All possible accommodation is, and has been, afforded to the Bank in time of pressure, without reference merely to the rate of interest, *ib.* 4137. 4153, 4154. 4168. 4183-4188——It would be very injurious for the Bank of Ireland to extend its circulation at a time when the Bank of England was pursuing an opposite course, *ib.* 4138, 4139.

Explanatory statement as to there being two rates of discount in Ireland, one on bills in Ireland on houses in England, and termed English bills, the other on exclusively Irish bills; reason for a slightly lower charge in the case of the former bills, *M'Donnell* 4144-4167——Greater demand for discounts at the Bank of Ireland and its branches in some seasons of the year than in other seasons, *ib.* 4166, 4167——Government holds above 2,500,000*l.* of the capital of the Bank, *ib.* 4182——Subsequently to April 1847 the Bank had no notes out on gold, *ib.* 4183——Process by which the Bank of Ireland holds for a time the deposits of the Irish saving banks, *ib.* 4189.

Circumstance of the Bank having, within the last twelve or eighteen months, imported four or five hundred thousand sovereigns from England, in order to be prepared for the run which took place on the saving banks, *M'Donnell* 4190-4194. 4221-4224——Under the Act of 1845, credit is taken in the returns of the Bank for a certain proportion of silver, *ib.* 4198——Remarks on the withdrawal from the Bank, by the Act of 1845, of the power of checking the issues of joint stock banks, *ib.* 4201-4208. 4219.

Previously to the Act of 1845, the Bank of Ireland kept more gold in reference to its circulation, *M'Donnell* 4211, 4212——Nature of the facilities of the Bank for immediately obtaining an adequate supply of gold from England, in the event of a sudden demand, *ib.* 4211, 4220-4229——At present the Bank has too large a proportion of silver, *ib.* 4215, 4216——On the whole, the Act of 1845 has not caused any inconvenience to the Bank of Ireland in the regulation of its transactions, *ib.* 4219.

Banking Interest. In the week before the issue of the Government letter of the 25th October the discredit was beginning to operate very seriously among the banking establishments throughout the country, *Glyn* 1648——Less means of the Bank in 1847 than in 1825 to have given accommodation to the banking interest; fortunately the demand was not made in 1847, *ib.* 1916-1920.

The almost instantaneous pressure in September and October was attributable to the almost total cessation of all banking facilities and accommodation, *Wylie* 2048-2051——Belief that the Liverpool banks made rather than lost money in 1847, *ib.* 2095.

Notwithstanding the high rates charged by the Liverpool banks, it was not a profitable time for them, *Lister* 2498. 2495-2497——Particulars as to the practice of the Liverpool banks in regard to bills of exchange drawn from abroad against produce; great fall in prices which rendered such bills unsound, *ib.* 2495-2522.

See also *Bank of England. Country Banks. Hoarding. Joint Stock Banks. Bankruptcies.*

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Bankruptcies. Particulars as to the number of bankruptcies respectively in 1847 and former years; explanation as to an apparently smaller number in the past year, *Lister* 2613-2634.——*See* also *Glasgow.*

Bill Brokers, &c. In obtaining a credit on the Bank of England witness's firm, or at least their customers in Lombard-street, always take the payment in actual notes, *Gurney* 1132-1140——Explanation as to the character and mode of conduct of the business of witness's firm; they are money dealers rather than bill brokers, *ib.* 1337-1345.

Bills of Exchange. Bills of exchange, though not forming an actual portion of the circulation, are auxiliaries to the circulation; their sudden withdrawal would decidedly affect the circulation, *Morris* 232-235——It is impossible to say to what extent short bills of exchange form part of the circulation of the country, *Gurney* 1320.

Blair, Mr. Reference to Mr. Blair's statement in 1841 as to the Bank of Scotland holding about a fourth of its circulation in notes and gold, *Kinnear* 3813-3816——Dissent from Mr. Blair's opinion that banks should keep a third or fourth of their liabilities in notes and gold; a much less proportion of gold than that recommended by Mr. Blair would be amply sufficient for the Scotch banks, *ib.* 3817-3833.

Branch Banks (*Bank of England*). In the provinces less discretion is allowed than in London as to the paper discounted by the Bank agents, *Prescott* 536——The branch Banks are bound to pay their notes in specie, *Palmer* 888. 892——The payment of the notes of the London Bank at the branches is a matter of discretion, and, if the amount be large, of previous arrangement, *ib.* 889-891——In the event of any large exportation of gold from Liverpool to America inconvenience is avoided by previous arrangement with the Bank in London, *ib.* 893, 894——A higher rate of interest has always been charged at the branches than in London, *Norman* 2795, 2796.——*See* also *Liverpool.*

Brown, William, M.P. (Analysis of his Evidence.)—Has been in business in Liverpool for the last thirty-seven years; trades with all parts of the world, 2213-2216——Insufficient available capital of the Bank of England adverted to as one reason for the inadequacy of Bank accommodation in times of commercial distress, 2217. 2262, 2263——The Act of 1844 still further restricts the amount of available capital, 2217, 2218——The large amount securities which cannot be realized in time of exigency without an immense sacrifice, is also a bar to the proper action of the Bank when accommodation is most needed, 2218-2221. 2376-2378.

Advantage if a portion of the Government debt were repaid to the Bank, and if some of the unavailable securities were got rid of, 2222. 2225, 2226——Importance of rendering the whole of the specie in the Issue Department available for the banking or discount business, 2222-2224——Considerations as to the mode of ensuring a larger amount of specie in the Bank; Government might bear any loss that would otherwise fall on the proprietors, 2222. 2230-2236——The Act of 1844 is a very great evil, 2223. 2359-2361. 2374.

Expediency of reposing considerable discretion in the managers of the Bank, and of allowing them to regulate their proceedings according to their own view of coming events, 2227, 2228. 2239-2245. 2249-2251. 2260, 2261. 2362-2382——Government might possess a veto upon the appointment of Governor and Deputy-governor, 2228, 2229. 2237, 2238——Difficulty in giving Government the power of controlling the Bank direction; recourse to the advice and opinion of the Chancellor of the Exchequer in time of pressure would be sufficient, 2241-2245. 2249-2251. 2350——Disadvantage in the quick rotation of Governors, 2246-2248.

Doubt as to the advantage of an annual report by the Bank to Parliament, 2252-2254——Mischief arising from the weekly publication of the Bank accounts when the reserve is low, 2253. 2255-2257——Way in which the separation of the Issue from the Banking Department had a most mischievous effect during the late pressure, 2258-2260 2310-2315——General practice of hoarding, both in notes and specie, when the Bank reserve became low, and its power of issue restricted, 2259. 2263-2265.

The Bank might, with perfect safety to the convertibility of the note, have largely increased its issues in the autumn, 2265, 2266. 2273, 2274——During a commercial panic an extended issue of notes may safely be made, but during a political panic a different action is necessary, 2266-2269. 2273, 2274——A gradual rise in the rate of discount is the best restriction against an over-issue, 2269. 2340, 2341——Violent fluctuations in the rate of interest are the main cause of difficulty and mischief, 2270. 2301-2305——The mercantile community are very much guided by the Bank rate of interest, 2270-2272.

Difficulty of laying down a fixed rule in regard to the issue of notes when the exchanges are adverse, and bullion is leaving the country, 2275-2281——Two causes of an adverse exchange, 2282——Doubt as to the depreciation of the home currency, as the inevitable result of an adverse exchange and the export of bullion, 2282-2292——Witness's firm largely exported gold to America in 1847; 2293-2295——Circumstance of their having relanded a considerable shipment of gold merely as a precaution against the possible consequences of the panic, 2296-2299.

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Brown, William, M.P. (Analysis of his Evidence)—*continued.*

Causes of the adverse exchange with America during part of 1847, and of the turn of the exchange in favour of this country, 2300——Considerable effect of the fluctuation and rise in the rate of interest in 1847 in checking the manufacturing production of Lancashire, 2301-2305——Unprecedented fluctuation in the rate of interest in 1847; much less variation in 1837 and 1839; 2306-2309——Way in which the Act of 1844 operated as one of the causes of the great variation in the rate in 1847; 2310, 2311.

The specie in the Issue Department was useless during the panic, 2311. 2376-2378——The Act caused an artificial scarcity, thus creating a most mischievous alarm in the public mind, 2311, 2312——If the Banking Department could have made use of some of the specie in the Issue Department, great benefits would at once have resulted, 2312——Doubt whether, but for the Act of 1844, the Bank would have been any worse off in regard to its store of bullion, 2314. 2368-2382——The bullion in the Issue Department might, in October, have been reduced to two millions with great advantage, 2315.

A higher rate of interest is charged at the branch bank in Liverpool than at the Bank in London, 2316. 2319, 2320——Instances of Liverpool merchants having been refused accommodation by the Bank in October, 2317, 2318——It is said that the Bank classifies bills with reference to different rates of interest, 2321——After a certain period last year the export of manufactured goods from this country was in some cases pressed on the market, and made at a loss, 2322-2329.

Restriction upon the rate of interest charged by the chartered banks in America; the limit varies in different States, 2330-2332——Practically, the legal rate in America is not always any criterion of the rate out of doors, 2333-2336——A limitation of the rate of the Bank of England to five per cent. throughout the late pressure would not have been of much service, 2337-2339. 2344-2346——Approval of fluctuation in the Bank rate according to the value of money, provided only that any change be carefully and gradually made, 2340-2349——Advantage in some respects of a very low Bank rate, 2342——Evidence relative to the low price of cotton at the present time, and to the effect of such price in diminishing the production in America, 2342. 2407-2413. 2425-2428.

Danger in making artificial regulations for limiting the rate of interest, 2346-2350——At certain periods the action of the Bank has but little effect on the money market, 2349——Circumstance of witness having been one of a deputation from Liverpool to Government in October last, for the purpose of obtaining for the Liverpool banks a loan in Consols, as a means of obtaining notes; the Bank of England could not grant the loan, 2351-2353——Much sacrifice of property arose in Liverpool from the inability of the local banks to give the required accommodation, 2353.

Strong approval of the Government letter of 25th October; its issue a month sooner would have been still more beneficial, 2354, 2355——The letter virtually condemned and annulled the Act, and in future pressures the public are the more likely to expect relaxation, 2356-2361——Inexpediency of attempting to frame an Act of Parliament so as to provide for the action of the Bank in all times of emergency, 2362 *et seq.*——Belief that the panic of 1847 was greater than all former panics, 2363. 2431——Probability of the Bank being in an equally strong position, as regards its store of bullion, without the restrictions of the Act of 1844 as it has been under those restrictions, 2367-2382. 2401-2406——If the Bank were allowed to hold an increased proportion of silver it might be very useful in correcting the foreign exchanges, 2383-2388——Liability of the Bank to a stoppage of payment but for the Government letter, 2380. 2389-2397——Any attempt of the Bank in October to realise securities in order to pay off their deposits would have been attended with fearful sacrifice, 2398-2400.

Very depressed state of the manufacturing districts at the present time, 2413-2421——Check given by the French revolution to the little improvement that was beginning to manifest itself, 2415. 2429——The monetary distress which pressed very severely on the manufacturing interest up to the end of October has gradually passed away, 2422-2424——Reference to the fluctuation in the price of Consols in 1847 and in former years of pressure; such fluctuation is not a certain criterion of the amount of pressure, 2432-2437.

Bullion (or Specie):

1. *Amount in the Bank at different Periods in* 1846 *and* 1847.
2. *Propriety of regulating the Issue of Notes by the Store of Bullion.*
3. *Advantageous working of the Act of* 1844 *in retaining a large Amount.*
4. *Disapproval of the Operation of the Act hereon.*
5. *Suggested average Amount, without reference to the Paper Circulation.*

1. *Amount in the Bank at different Periods in* 1846 *and* 1847:

The total amount of bullion in the Bank on the 30th October 1847 was 8,439,000 *l.*, *Morris* 20——At the end of October 1846 the bullion was 14,800,000 *l.*, *ib.* 343——There was about 15,000,000 *l.* in bullion in the Bank in December 1846, when the foreign

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Bullion (*or Specie*)—continued.

1. *Amount in the Bank at different Periods in* 1846 *and* 1847—ocntinued.

drain commenced, *Palmer* 687–689——The bullion in the Banking Department does not vary much, and is an item of little consequence, *Loyd* 1373——Particulars as to the amount of bullion in the Issue Department and in the Banking Department in January 1847, *ib.* 1410–1412——The bullion in the Issue Department is subject to deduction, to the extent of the amount of notes in the Banking Department, *Tooke* 3076.

2. *Propriety of regulating the Issue of Notes by the Store of Bullion:*

The proper rule for the Bank is to look at the amount of bullion in the Issue Department, and to regulate the amount of notes accordingly, *Loyd* 1371. 1375–1383. 1402–1405. 1409. 1471——As regards the store of gold in the Issue Department, the advantages derivable from it are accorded to the public in the shape of bank notes issued for their convenience, *ib.* 1409, 1410——The proportion of notes to bullion should be an essential determining circumstance in reference to the question whether the notes out are in excess or not, *ib.* 1439—— The Act of 1844 merely leaves it to the public to say what quantity of notes they will have by bringing more or less gold to the Issue Department, *ib.* 1449, 1450. 1461. 1467——If bullion be taken out for internal purposes it adds so much to the circulation, provided there be no suppression or contraction of notes, *ib.* 1452-1455—— Propriety of arguing on the principle, that gold must come in before notes are issued, *ib.* 1459-1461.

3. *Advantageous working of the Act of* 1844, *in retaining a large Amount:*

Opinion that previouly to 1844 eight and a half millions of bullion in the Bank would not have been a sufficient amount, *Morris* 67–70——Reduced amount of bullion in October 1847, but for the operation of the Act of 1844, *Morris* and *Prescott* 70–76. 373——Previously to 1844 a store of eight and a half millions in bullion would most probably have been considered sufficient, *Prescott* 74——More rapid recovery of bullion by the Bank in the case of the late pressure than of former pressures, *Morris* 104–106.

Circumstance of bullion having commenced to increase in the Bank for some months previously to the pressure in October, *Morris* 126-128—— A demand for bullion affects merely the Issue Department, *ib.* 169, 170.

The Act, in time of a great pressure, showed itself perfectly effectual for the object for which it was passed, namely, by retaining in the Issue Department such an amount of bullion as to place the convertibility of the note beyond all reasonable question, *Loyd* 1351-1353. 1406-1409. 1534. 1537, 1538. 1548. 1551. 1555——Had there been a second failue of the harvest the Act of 1844 would have mitigated the evil on account of the large reserve in bullion which it succeeded in maintaining, *ib.* 1401——The enormous reduction in the bullion in 1825 could not have arisen if the Act of 1844 had been in operation, *ib.* 1492——The Act protected the country from the evil of exhaustion of bullion and suspension of specie payments, *ib.* 1514——The best correctives of panic are to be found in the Act in its securing a contraction of notes commencing with the first decrease of bullion, and by such means securing an amount of bullion sufficient to protect the convertibility of the note, *ib.*

Process by which the Act imposes upon the Bank the necessity of keeping a much larger sum than formerly in specie, *Alison* 3885–3910.——Respect in which it may be said that the Bank exercises discretion in regard to the amount of bullion in the Issue Department, *ib.* 3890-3909.

4. *Disapproval of the Operation of the Act hereon:*

But for the Act of 1844 a sum of 15,000,000 *l.* in specie would have been larger than was desirable, *Palmer* 694–696——Such an emergency as a second failure of the harvest could, in all probability, have been met by means of the bullion in the Bank, but for the Act of 1844, *ib.* 835——Opinion that the Bank might, with perfect safety, have renduced its bullion in autumn last from eight and a half millions to five millions, *ib.* 908–914. 969, 970——Increase in the bullion simultaneously with a decrease in the circulation, *ib.* 957——A reduction in the amount of bullion below about one-third of the circulation cannot take place under the Act of 1844, *ib.* 959–974——The principle of the Act is at variance with the maintenance of a fixed proportion between the bullion and the notes, *ib.* 961–964. 975.

Doubt whether, but for the Act of 1844, the Bank would have been any worse off in regard to its store of bullion, *Gurney* 1276–1289; *Brown* 2314. 2368–2382——The bullion in the Issue Department might in October have been reduced to two millions with great advantage, *Brown* 2315—— Probability of the Bank being in an equally strong position, as regards its store of bullion, without the restrictions of the Act of 1844 as it has been under those restrictions, *ib.* 2367–2382. 2401–2406.

Belief that if the Bank had free control over the Issue Departments in 1847 the amount of bullion would not at any time have been reduced below seven or eight millions, *Tooke* 3039–3043. 3074——If the bullion in the Bank had gone to seven millions or even to five millions, there need not, nor would not, have been any cause for apprehension,

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BULLION (*OR SPECIE*)—continued.

4. *Disapproval of the Operation of the Act hereon*—continued.

Tooke 3039-3043——In 1839, and also in 1840 and 1841, the bullion was reduced to an imprudently low amount, *ib.* 3044, 3045——Evidence to the effect that there is no security for the maintenance of the banking reserve which would not equally apply if the Bank were responsible for the whole of its liabilities, *ib.* 3047-3049. 3052 *et seq.*——Belief that the Act had nothing to do with the comparitively large amount of bullion in the possession of the Bank at the commencement of the drain, *ib.* 3074-3086——Any regulation of the amount of notes by the amount of bullion rests on a false basis, *ib.* 3094-3105. 3150.

5. *Suggested average Amount without reference to the Paper Circulation:*

Inasmuch as the amount of liabilities is no test of the proper amount of bullion to be held, there need be no restriction as to the proportion between the paper and the gold, *Tooke* 3094-3105. 3150——Some arrangement might be made, so that the Bank should hold an average of not less than 10,000,000 *l.* in bullion, including silver, *ib.* 3149-3153. 3156——In the event of the amount of bullion being reduced below ten millions, the Bank might be required to notify the same to Government, who should not however practically interfere in the matter, *ib.* 3150-3155.

See also *Act 7 & 8 Vict. c.* 32. *Bank of England. Circulation. Convertibility of Bank Note. Efflux of Bullion. Foreign Exchanges. Ireland. Run for Gold. Scotland. Silver.*

Bullion Report of 1810. The Committee quote several extracts from the Report as enunciating principles at variance with those laid down by the Act of 1844, *Rep. p.* xx. xxv-xxviii.

C.

Causes of Distress. As regards the commercial pressure in September and October 1847, the same arose principally from the export of the precious metals in payment for large importations of food, *Morris* 11, 12; *Lister* 2443-2446——Cause and effect of the panic of April 1847, as distinguished from the pressure in the following autumn, *Morris* 12——The cause of the public alarm in October was not so much the diminution of the Bank's reserve as the numerous failures that were taking place, *ib.* 195, 196——Inevitable character of the commercial suffering, *ib.* 538. 543, 544.

The distress in 1847 arose principally from the deficient harvests in 1846 and the failure of the potato crop in that year, *Palmer* 684; *Gurney* 1098——In April last the pressure was owing to the rapidity and large extent of the demand subsequently to the 27th March, such demand rendering a forced contraction of accommodation necessary, *Palmer*, 793, 798-809——The heavy expenditure for foreign corn and the immense investment in railways doubtless contributed largely to the commercial derangement in October, *Gurney* 1193-1198. 1238-1260——The pressure in autumn was entirely of a mercantile character, and arose from the failure of the harvest, and the enormous diversion of capital from trading purposes to the construction of railways, and the alarm consequent on the numerous failures in the corn and other trades, *Loyd* 1349, 1350——Monetary derangement, arising from variation in the amount of circulation, does not to any great extent suspend or injure trade; loss of capital and diversion of capital are the real causes of stoppage of trade, *ib.* 1584-1587. 1596. 1602-1604.

The commercial pressure in April 1847 arose more principally from the large importation of corn, and the consequent heavy exports of bullion, *Glyn* 1648——The pressure in the autumn arose from the failures in the corn and other trades, *ib.*——The distress immensely increased in consequence of the discredit and panic which gradually spread throughout the mercantile world, *ib.*——A leading cause of the distress was the large transfer of capital from business to railways by mercantile men, *Lister* 2443, 2444.

The failure of the harvest and potato crop, and the absorption of capital in railways, were the main causes of the pressure upon commerce in 1847, *Norman* 2680; *Cotton* 3194. 3207. 3247; *Kennedy* 3355; *Anderson* 3569; *Kinnear* 3652——Insolvency, or the fear of insolvency, was in the first instance the cause of the panic, *Norman* 2693, 2694——In April 1847 the pressure arose from the small amount remaining unemployed in the Banking Department, *Cotton* 3170.

Summary by the Committee of the several causes of the distress in 1847, *Rep. p.* iii.

See also *Credit. Panic. Railway Speculations. Rate of Interest* (*Bank of England*). *Want of Capital.*

Report, 1848—*continued.*

CIRCULATION:

1. *Less Efficiency of the Circulation in time of Panic or Distress.*
2. *Efficiency of a reduced Amount of Circulation as pressure subsides.*
3. *Amount of Notes at the disposal of the Bank.*
4. *The amount with the Public considered as "Circulating."*
5. *Approval of the action of the Bank, as guided by the Circulating Amount.*
6. *Disapproval of Restriction as based upon the Amount of the Circulation.*

1. *Less Efficiency of the Circulation in time of Panic or Distress:*

Different action of the same amount of currency in times of panic, and in ordinary times; in times of panic there is always an increased demand for notes, *Morris* 170-175. 221-223. 225. 229——The circulation was considerably in excess during the pressure in autumn last, *ib.* 221——In time of panic the money markets will bear the issue of a greater quantity of notes, *Prescott* 224. 228——Slight variation in the amount of notes with the public between December 1846 and April 1847, *Morris* 419-422.

The amount of notes in circulation and the securities held by the Bank have no necessary relative proportions, *Palmer* 950-956——The temptation of a high rate of interest in a very small degree only, if at all, neutralises the effect of panic, *Gurney* 1123-1127. 1143-1147. 1161, 1162——Reference to the unusually large amount of notes in the hands of the public during the autumn, *Loyd* 1349. 1416-1429. 1547. 1551——Less efficiency of the circulation in time of discredit, *ib.* 1454, 1455——Whether the currency be paper or metallic, a larger circulation is required in an active state of transactions than in a state of stagnation, *Glyn* 1717-1721. 1804; *Gurney* 2657, 2658. 2661——During a pressure the limitation of the currency increases the desire to get possession of the circulating medium to the great harm of the community, *Gurney* 2659-2661.

Extent of the circulation in 1847 adverted to; its contraction consisted in its non-efficiency, and not in any reduction of its amount, *Wright* 2913-2916. 2927-2935——During a panic a largely increased circulation is required, the actual amount of the circulation being no criterion of the wants of the country, *ib.* 2929-2935——There is no coincidence between the amount of accommodation given by the Bank and the amount of notes in the hands of the public, *Tooke* 3098-3102. 3127.

The Committee adduce sundry authorities for the conclusion that the efficiency of the circulation is not identical with its money amount, *Rep. p.* xvii-xxi——Extract from the Bullion Report of 1810, quoted as showing that the amount of bank notes in circulation cannot be considered as at all deciding the question whether such paper is or is not excessive, *ib.* xx.

2. *Efficiency of a reduced Amount of Circulation as pressure subsides:*

In time of credit a smaller amount of circulation will do the work of the country than in a time of discredit, *Palmer* 743-746——Considerable reduction recently in the circulation, *ib.* 952-956——Before the end of the year there was a decrease of more than three millions of notes in circulation, the practice of hoarding having ceased, *Gurney* 1127-1131—— Efficiency of the circulation at the present time, notwithstanding that the amount of bank notes in the hands of the public is much less than it was in October last, or in the pressure of 1825, *ib.* 2645-2656——On the mitigation of the panic, consequently on Government interposition, the reserves in the banks were proportionably reduced, *Wright* 2827. 2834, 2835.

3. *Amount of Notes at the disposal of the Bank:*

The bank has at its disposal fourteen millions of notes, and any further amount of notes equal to the amount of bullion which it may receive from the public, and lodge in the Issue Department, *Loyd* 1546, 1547——The issue of fourteen millions is composed of eleven millions, representing the debt due from the public to the bank, and of three millions advanced by the Issue Department upon securities, *Glyn* 1823.

4. *The Amount with the Public considered as "Circulating":*

Circumstance of the bank concluding that all the notes in the hands of the public are in circulation, although in times of discredit or panic, as in autumn last, the circulation doubtless becomes dormant and less efficient, *Loyd* 1422, *et seq.*——The notes actually with the public are the amount issued, minus those in the Banking Department, *Marshall* 1930, 1931——Previously to 1844 the term "Circulation" applied to those notes only in the hands of the public, *Tooke* 3077-3079.

5. *Approval of the action of the Bank as guided by the Circulating Amount:*

Immense accommodation given by the bank during the pressure in October, *Loyd* 1415-1429, 1547, 1551——Expediency of the conclusion of the bank that the notes in the hands of the public are in actual circulation, *ib.* 1422 *et seq.*——Although the pressure was very severe in 1847, it does not follow that the circulation was inadequate, *ib.* 1428-1429——If there had not been a diminished efficiency or contracted circulation, the bank would not have succeeded in maintaining specie payments, *ib.* 1430, 1435-1439. 1472-1479——Effect of a diminished efficiency of the circulation to make the foreign

Circulation—continued.

5. *Approval of the action of the Bank, &c.*—continued.

foreign exchanges favourable, and, by leading to an import of gold, to augment the circulation, *Loyd* 1453. 1456–1459. 1468——A diminution of the efficiency of circulation in time of discredit is sure to result under the Act of 1844, and such diminution is a security for the convertibility of the note, *ib.* 1472–1479.

Approval of the principle of restricting the issue, without reference to the efficiency or inefficiency of the circulation, *Cotton* 3263–3265.

6. *Disapproval of Restriction as based upon the Amount of the Circulation:*

The less efficiency of the circulation in time of discredit goes to prove that in Autumn last the Bank might safely have made an increased issue for the restoration of credit, *Palmer* 746–750——How far the state of the foreign exchanges affects the question whether bank notes be in excess or not, *Gurney* 1217. 1219——Although there was an unusually large amount of notes in circulation, or rather in the hands of the public, in October, the circulation was very inadequate, *Glyn* 1713. 1717–1721——The amount of notes proper for circulation cannot be regulated merely by the amount in the hands of the public, *ib.* 1804.

Evidence as to the injurious effect of the Act in its principle of contracting the paper circulation accordingly as gold is exported, *Wright* 2910 *et seq.*——Absence of power in the Bank to extend the amount of the circulation in the hands of the public, *Tooke* 3092–3097. 3105. 3115. 3118——Grounds for the conclusion that there cannot be a forcible extension of the paper circulation, ending in an exportation of the precious metals, *ib.* 3115–3131.

Evil in consequence of applying the same rule, as under the Act of 1844, whether the circulation is efficient or inefficient, *Rep. p.* xx. xxxi. xxxiii.

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Clearing House. A very large proportion of the operation of bankers is settled by the payment of a balance in the Clearing House, so that notes do not pass, *Gurney* 1138.

Consols. Explanation and defence of the practice occasionally of the Bank of England to buy and sell consols to a considerable extent; this has been done with reference to the state of the reserve, and not for the sake of profit, *Morris* 558–561. 566–574. 579–581——Remarks in justification of the practice in regard to the purchase and sale of government stock, *Palmer* 1030–1039——Impression that during the past year there was not any material loss to the Bank by its sales of stock, *ib.* 1034–1036——Belief that the Bank operations in regard to stock is not open to abuse on the score of stock-jobbing, *ib.* 1037–1039.

Reference to the fluctuation in the price of consols in 1847 and in former years of pressure; such fluctuation is not a certain criterion of the amount of pressure, *Brown* 2432–2437——Greater fluctuation in the price of consols during former pressures than in that of the past year, *Lister* 2640–2644.

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Convertibility of Bank Note. The main object of the Act of 1844, in which it fully succeeded, was to insure the convertibility of the bank note, *Morris* 4. 24–26——Danger in 1847 of the convertibility of the notes of the Bank, had not the Act of 1844 been passed, *Morris and Prescott* 95, 96——Under any circumstances the Bank is not justified in parting with the means of meeting its liabilities, *Morris* 307, 308.

Witness does not object to the principle of the Act as to the means provided for securing a given amount of specie for the convertibility of the bank note, *Palmer* 698. 779——Necessity of the bank always holding a sufficient quantity of gold to secure the convertibility of the note, *ib.* 776, 777——Under the Act of 1844 the convertibility of the bank note has never been in danger, *ib.* 976——Previously to 1844 the convertibility of the note was never endangered, save in the year 1839, *ib.* 977–981——The convertibility of the bank note is very important, but it is endangered rather than secured by the present extreme restriction, *Gurney* 1229–1233.

Belief that the Act of 1844 protected the public in 1847 from the additional evil of the inconvertibility of the bank note, *Loyd* 1351–1353. 1406–1409. 1534 *et seq*——The Act arose out of a feeling that in 1825, 1837, and 1839 the convertibility of the bank note was in danger, *ib.* 1406——Possibility under the Act of 1844 of such a contingency as the inconvertibility of the note; the supposition is too remote to be taken as an argument against the Act, *ib.* 1489–1491——The pressure in 1847 would have been perfectly frightful if there had been an apprehension of the credit of the currency, *ib.* 1498——No system which pretends to provide for convertibility of the notes can avoid pressure,

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Loyd 1514——Further reference to the discredit in 1825, 1837 and 1839, as having proved the comparative failure of the former system for the protection of the convertibility of the bank note, *ib.* 1551–1554.

There was never any distrust of the convertibility of the bank note in October, *Glyn* 1722——Neither in 1825 nor in 1839 was the convertibility of the note in actual danger, *ib.* 1851–1854. 1872——The convertibility of the note is doubtless of essential importance, *Glyn* 1867; *Tooke* 3011. 3031, 3032——Such convertibility can be secured under the provisions of the Act of 1819, carried out by an improved bank management, *Glyn* 1868 *et seq.*

Greater confidence in regard to the convertibility of the note, on account of the restriction of the Act, *Lister* 2573, 2574——As regards the convertibility of the note, the welfare of the country must not be sacrificed to prevent its being endangered, *Wright* 2936, 2937——Opinion that during the pressure in 1847 the Act of 1844 was not essential for, and did not contribute to, the convertibility of the note, *Tooke* 3012–3016. 3033 *et seq.*——There was no discredit attached to the bank note in 1837 or 1839, *ib.* 3015. 3017. 3035, 3036——In 1825 the bank was in imminent peril, and the convertibility of the note was in some danger, but there was no discredit of the note in the public mind, *ib.* 3015–3023.

The bank has other obligations as important, and in fact more so, than the convertibility of the note, *Tooke* 3024, 3025. 3028——In time of pressure, as in 1839, any circumstance endangering the convertibility of the note would not, of necessity, seriously add to the difficulty, *ib.* 3033–3039. 3045–3047——The convertibility of the note is itself a sufficient security against over-issue, *Tooke* 3119. 3137; *Anderson* 3604, 3605. 3641. 3647; *Kinnear* 3782–3784——If there were no restrictions upon the issue, the convertibility of the note must depend upon the solvency of the bank, *Tooke* 3137–3139.

The Committee do not advocate special interposition and extended issues by the bank, save they can be effected with a strict regard to the uniform maintenance of the convertibility of the bank note, *Rep. p.* xxxi——The duty of maintaining at all times the convertibility of the note is one of primary importance, *ib.* xxxi. xliv.

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Convertible Securities (Bank of England). see *Sale of Securities (Bank of England). Securities (Bank of England).*

Corn Trade. The high price of corn in 1847 was a main cause of the panic, *Morris*, 12. ——Several failures of houses in the corn trade, *Prescott*, 116; *Morris* 117; *Palmer* 684. 813, 814——The failures in the corn trade arose chiefly from imprudent business, *Gurney* 1168. 1183——The failures in London arose out of special circumstances, and are not directly attributable to the Act of 1844, *Wylie* 2120, 2121. 2131. 2140——The selling price for corn from September 1846 to April 1847 was artificially high, *ib.* 2144, 2145——Reference to the bills drawn from abroad against corn, and to the fall in the price of corn which depreciated such bills, *Lister* 2498–2508——In the corn trade there was a very large and indiscreet extension of business beyond the capital of the parties, *Cotton* 3195–3197——Prejudicial effect caused in Ireland by the failure of the corn houses in England, *Murray*, 4253.

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Cotton, William. (Analysis of his Evidence).—Has been a director of the Bank of England since 1822; was Deputy-governor in 1841, and Governor in 1842, 1843, and 1844, 3159, 3160——Was strongly in favour of the introduction of the Act of 1844, 3161–3163——Considers that the Act has conferred inestimable benefits upon banking, and the general business operations of the country, 3164 *et seq.*——The Act is a wholesome restriction against the possibility of deviation by the Bank from sound principles of currency, 3166–3168. 3185. 3285, 3286. 3295.

Belief that but for the Act there would have been a run for gold, and a currency discredit, in addition to the late commercial distress, 3169, 3170——The alarm in the money market in February 1846 arose from the apprehension that the ten or eleven millions paid in for railway deposits would be so much abstracted from the circulation of the country, 3170–3176——In April 1847 the pressure arose from the small amount remaining unemployed in the Banking department, 3170.

Witness was continued Governor of the Bank for a third year (1844) in consequence of his previous communication with the Government relative to the Act of 1844, 3178——The question of a relaxing power was fully discussed, and some of the Bank Directors were in favour of it, but the great majority were in favour of the restrictive clause, 3179–3184——A relaxing clause would probably have been acted upon in February 1846 and April 1847, and would have produced much mischief, 3185.

The Government letter of 25th October was if any thing issued too soon, 3186–3188. 3294——Witness would have preferred that the letter had not been issued till there was more

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more serious cause for it, 3189. 3294——Opinion that the commercial distress in 1847 has been greatly exaggerated, and that it was much less severe than the distress in 1825 and 1839, 3190-3193——The failures in 1847 were mainly of houses carrying on a speculative trade on a system of over-credit; very few solvent houses failed, 3192-3200. 3225, 3226. 3250.

The Bank did not refuse accommodation in October, but charged a higher rate for it, 3192——Sundry causes of the distress, 3194. 3207. 3247——The reduction of the Bank rate of interest to two-and-a-half per cent. followed the market rate, which was only two per cent., and did not encourage speculation, 3201——Some advances were made at a low rate on long India bills; this was not an uncommon practice, 3202-3205——The Bank invested largely in railway debentures; this was not known to the general public, and did not add undue credit to railway securities, 3205-3212.

Evidence to the effect that the Bank may temporarily influence, but does not permanently regulate the rate of interest in the money market, 3213-3219, 3235, *et seq.*——Expediency, under certain circumstances, of a considerable advance in the rate of interest, 3220-3226——Advantage of the gradual rise in the rate of interest between April and October last, inasmuch as it encouraged the importation of the precious metals and prevented parties from hoarding, 3220-3226.

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Witness objects to the Government letter, on the ground, mainly, that it may be considered a precedent to be acted upon in future, 3291. 3296.——Except under very extraordinary circumstances no minister would relax the rule of the Act, nor would the public otherwise expect relaxation, 3292, 3293——Adverse foreign exchanges would by no means justify the removal of the restrictions of the Act, 3295. 3297.

As regards the constitution of the Bank Court, it would be better not to require so many Directors to go out by rotation, 3302——It has recently been arranged that the Court may recommend for Governor and Deputy-governor those Directors whom they consider best qualified, without reference to the system of rotation, 3302, 3303. 3308——The Governor and Deputy-governor should be elected or re-elected every year, 3304-3307.

Opportunities of the Bank for distinguishing between an internal drain of bullion and a drain for foreign purposes, 3309-3313——It would be better if there were no restriction in regard to the proportion of silver held by the Bank, 3314-3317——Further reference to, and approval of, the purchase of railway debentures by the Bank, 3318-3320——Belief that consols, as well as railway debentures, might have been converted in autumn last without much loss, 3320, 3321——Objection to a discontinuance of the publication of the weekly banking account, 3322.

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Cotton Trade:

1. *Distress in the Trade.*
2. *Prices.*
3. *Imports, Stock, &c.*

1. *Distress in the Trade:*

There was great distress in the cotton trade during the pressure in 1847; exports in the trade adverted to, *Palmer* 815-818——The temporary fall in the price of cotton in April 1847, and the more serious fall in September and following months, is attributable to the panic in the money market, and the pressure upon the merchants to realise at any price, *Wylie* 2006-2009. 2015-2022. 2048-2052——Considerable exports of raw cotton from this country in autumn last, at extremely low prices, *ib.* 2032-2034——Very injurious effect of the alterations, and depression in the trade upon the operatives, *ib.* 2035——Witness estimates the loss to the merchants of Liverpool, by the fall in the price of cotton during the last four months of 1847, at one million and a half sterling, *ib.* 2045-2047.

The low rate of interest in 1845 and 1846 was the primary cause of the undue extension of the cotton trade in those years, *Wylie* 2052——Importance at times of a low rate of interest to the cotton market, *Brown* 2342.

2. *Prices:*

In regard to the price of cotton, the importer at Liverpool and the consumer at Manchester may be considered antagonistic, *Wylie* 1953, 1954. 1962——Considerable rise in the price of cotton towards the end of 1846, in consequence of the consumption having immensely increased, *ib.* 1992. 2004-2006——Reference to the stocks of cotton and to the price per pound in Liverpool on the 3d March in each of the years 1844-48, *ib.* 2000, 2001——The stock at present is smaller than it has been since 1840; it is about the same as in that year, and yet the price is 2*d.* per pound less, *ib.* 2000. 2041-2044.

Evidence as to the prejudicial effect upon the trade of a continuance of low prices for the raw material; injurious effect thereby to the cultivation of cotton in the United States, *Wylie* 2036-2040. 2053-2057——About 6¼*d.* or 6½*d.* per pound for "Fair Orleans" would be a fair average price in Liverpool for American cotton; about 5*d.* per pound would remunerate the planter, *ib.* 2037-2039. 2070, 2071——Further particulars relative to the price in former years and at the present time with reference to the amount of stock, *ib.* 2041 2044. 2058-2076.

Evidence relative to the low price of cotton at the present time, and to the effect of such price in diminishing the production of America, *Brown* 2342. 2407-2413. 2425-2428

3. *Imports, Stock, &c.:*

The great bulk of cotton received in Liverpool is imported either on account of the Liverpool merchant, or the American merchant, or the planter, *Wylie* 1956——The transactions between the Liverpool merchant and the consumer are carried on through a broker, whose interest in the matter is his commission on the sale, *ib.* 1958-1961——Periods of the year in which the import and consumption of cotton respectively take place, *ib.* 1963-1965——Practice in regard to the payments as made between the importer and the producer, and between the consumer and the importer, *ib.* 1966-1974. 1985, 1986——Mode of payment in the case of cotton exported from America to the rest of the world, *ib.* 2066, 2067.

Return of the number of bales in different parts of Europe on the 31st of December in each year 1845-47, *Wylie* 1975——Immense decrease in the stock in this country since 1845, *ib.* 1975, 1976——Seven-eighths of the stock are in Liverpool, *ib.* 1976——Particulars as to the weight of the several bales, *ib.* 1977-1980. 1987.

Proportion of cotton imported respectively from the United States, East Indies, Brazil, &c., in 1844, *Wylie* 1983——The import from the United States is about four times as much as that from all other countries, *ib.* 1983-1986——Great diminution in the imports since the year 1845, whilst at the same time the exports of raw cotton from Liverpool has greatly increased, *ib.* 1988, 1989. 1991——There was an increased import from India in 1847, *ib.* 1989——Effect of the unremunerating character of the import trade in leading to the diminution of the amount imported, *ib.* 1990.

Evil anticipated from the prospective want of raw cotton in this country, *Wylie* 2002, 2003. 2014. 2036——Amount of the American cotton crop in each of the years 1845-47; the crop in 1847 was very small, *ib.* 2028-2030——Reference to the increasing consumption of cotton in the United States, *ib.* 2061, 2062——Increasing export from the States to other countries than England, *ib.* 2063-2065——Dangerously low stock of cotton in this country of late months, *Brown* 2342.

Country Banks. Benefit to the country banks during the pressure of 1847, on account of the limit to their issues, and consequent check upon speculation, *Morris* 98-103——Few failures of country banks in 1847 as compared with 1825, *Prescott* 109——The country banks connected with the agricultural districts did not suffer to any great extent, *Palmer* 683——

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683——Remarks in approval of those provisions of the Act of 1844 which limits the issue of notes by country bankers, *Glyn* 1746-1756. 1878.

Belief that country banks have not the power to keep out their notes at their option, *Wright* 2814, 2815. 2837-2843. 2861——There is no competing issue with the Bank of England which prevents them from keeping out their notes, as in the case of country bankers, *ib.* 2844-2846——On the whole, witness is unfavourable to the clauses of the Act of 1844 restricting the issues of country bankers, *ib.* 2847-2862——Effect as regards the circulation of country banks during the late panic if the Act of 1844 had not been in operation, *ib.* 2850-2857——Unfairness to country bankers in the withdrawal of advantages held out to them before and during the passing of the Act, *ib.* 2873-2892——Quotation by Mr. Charles Wood during the debate on the Bill of 1844 of certain evidence given by witness before a Select Committee in 1840; comments on Mr. Wood's speech on the occasion, *ib.* 2881. 2884-2887.

Proportionable increased reserve necessary when a bank has liabilities in the form of issues, as well as deposits, *Wright* 2893, 2894——In time of pressure, in the case of country banks, it depends entirely on circumstances whether there is a greater demand for deposits or for the return of specie on notes in circulation, *ib.* 2895-2897——Suggestion by Mr. Wright, with reference to security being given by country issuers, *Ev. p.* 332

The restrictive conditions of the Act of 1844 have, in periods of pressure, aggravated the pressure by increasing the difficulty of realizing the securities in which the provincial banks hold their reserves, *Kennedy* 3552-3556.

See also *Deposits (Country Banks).* *Nottingham Banks.*

Credit. Undue extension of commercial credit consequent on the low rates of interest in 1844 and other years, *Palmer* 917-920. 930. 933——When a system of undue credit breaks down, those who have traded on sound principles are sure to feel inconvenience on account of the want of confidence created, *Loyd* 1606, 1607——The reason why the commercial interests of England suffered more than those of France in 1847 is because her credit system is much more extended, *ib.* 1619.

With some exceptions, the houses which failed in October ought to have failed, *Glyn* 1700-1731. 1913——Blow to the credit of the mercantile body generally, through the failures of houses conducted on a system of over-credit, *ib.* 1912-1915.

Explanation as to the system of credit upon which goods for exportation from Liverpool are purchased; it is most legitimate, *Wylie* 2096-2104——Injurious effects of the Act of 1844 upon the credit system referred to in the past year, *ib.* 2097. 2101, 2102——Undue extension of, and great injury to, credit consequent on the imports of food and the railway speculations, *Lister* 2443-2446——The failures were chiefly in consequence of speculation and over-credit, *Cotton* 3192-3200. 3225, 3226. 3250.

Crime. See *Glasgow.*

Currency and Currency Act. See *Act 7 & 8 Vict. c. 32.* *Bank of England.* *Bullion (or Specie).* *Circulation.* *Foreign Exchanges.* *Metallic Currency.* *Twofold Currency.*

D.

Dead Weight Annuity (Bank of England). Reference to the difficulty experienced by the Bank in 1839, through the inconvertibility of the dead weight annuity, *Palmer* 1043-1045——Suggestion as to the realization by the Bank of its dead weight, in order to increase its available resources, *Lister* 2604.

Deficiency Bills. Means of the Bank, in October quarter, for meeting any demand for deficiency bills; such demand would not have occasioned any additional pressure, *Morris* 360-369——In April, 1847, the Bank should have taken greater precautions in regard to the deficiency bills; they had received sufficient notice from Government, *ib.* 369-372——If there had been a demand for deficiency bills in October last, the Bank would not have been inconvenienced on that score, provided due notice had been given by Government, *Palmer* 720-724——Doubt as to the amount required on deficiency bills in April at all affecting or justifying the procedure of the Bank during the few months previously, *Loyd* 1365-1368.

With regard to advances on deficiency bills in October last, the Bank could, without inconvenience, have made such advances had they received due notice from Government, *Loyd* 1622-1629——Great increase of the pressure in October, if the Government had applied to the Bank for advances on deficiency bills, *Glyn* 1834-1839——Grounds for the conclusion that if the Bank had been called upon to make advances on deficiency bills in October, it might, without inconvenience, have done so, provided due notice had been given, *Norman* 2749-2758.

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Remarks on the absence of a demand in October for advances on Deficiency Bills, and on the critical state in which the Bank would have been placed had such demand been made, *Rep. p.* xxxix.-xli.

Deposits (Bank of England). The private deposits and public deposits, &c. in October, were about 14,000,000*l.*, to meet which, there was an immediately available sum of about 4,000,000*l.*, including more than 2,000,000*l.* consols.; opinion as to the sufficiency of this sum for every banking purpose, *Morris* 20 *et seq.* 44–51. 77–94——Probable inconvenience if the London bankers had suddenly demanded the withdrawal of their balances, *ib.* 204–221——The state of the Bank reserve depends upon the amount of the deposits, *ib.* 588——Particulars as to the amount of the deposits, and the rate of interest at different periods in 1846, *ib.* 589–605.

Equal reason for a guarantee in regard to the other obligations of the bank as in regard to its notes, *Tooke* 3136.

The Committee adduce certain evidence and grounds for the conclusion, that in October the ability of the Bank to pay its deposits was in great jeopardy, *Rep. p.* xiii–xvii. xlviii——The liability of the Bank consists in its deposits, as well as in its promissory notes, *ib.* xlviii——The failure of the Bank to meet its deposits would be equally fatal as a failure to secure the convertibility of the note, *ib.* xlviii, xlix.

See also *Bank of England*, 7.

Deposits (Country Banks). A pressure involving a very high rate of interest, as in autumn last, affects the deposits, and not the circulation of country banks, *Wright* 2897–2907.

Directors of Bank of England. See *Bank of England*, 1, 2.

Discounts (Bank of England). During October the Bank of England did not refuse to discount any paper, unless they had a doubt of its solidity, *Morris* 353, 354——Statement as to the Bank having refused to make an advance to the amount of 200,000*l.* upon Exchequer bills and bills of exchange, *ib.* 355–359——The application for this advance was not made in a pressing way, *Prescott* 357——The Bank did not in any case refuse to discount where the fixed rates of interest were consented to, *Morris* 536, 537.

If the Bank had withheld accommodation during the pressure, the London bankers must necessarily have withdrawn their balances, *Palmer* 710–712——Doubt as to the Bank having refused accommodation to any great extent, *ib.* 713–716——Reference to a refusal by the bank to make advances on stock on Exchequer bills, *ib.* 718, 719. 819——Inability of the Bank during the late panic to have given ordinary accommodation, *ib.* 864——The only positive limitation of accommodation by the Bank in 1847 was in April, *ib.* 895——Unless individual demands are extravagant, it is not the practice of the Bank, in ordinary times, to limit the accommodation, *ib.* 896.

Circumstance of the Bank having on 23d October last demanded ten per cent. interest on an advance of 200,000*l.* required by witness on unexceptionable security; nine per cent. was subsequently taken, *Gurney* 1118–1120——If the application of witness's firm on 23d October, and of other houses about the same time, had been refused, the panic would have greatly increased, and the consequences might have been extreme, *ib.* 1142, 1143.

On the score of there being more privacy in transactions with the Bank, the public prefer to apply to it rather than to bill brokers or other bankers for accommodation, *Glyn* 1685–1688——Belief that in the autumn the Bank discounted freely to all those who had any right to ask for discounts, *ib.* 1811, 1812——The accommodation given in 1847 was decidedly not greater than in 1825, *ib.* 1919.

Greater means of the Bank at present than in 1839 to assist the public, *Norman* 2792, 2793——Accommodation was very liberally given by the Bank in October last in the country as well as in London, *ib.* 2793, 2794——The Bank did not refuse accommodation in October, but charged a higher rate for it, *Cotton* 3192——Circumstances under which the Bank positively refused to give accommodation for a time in April, *ib.* 3226. 3229–3234——Witness is not aware that any parties were refused accommodation in October, *ib.* 3227, 3228.

See also *Bank of England. Limitation of Discounts. Rate of Interest (Bank of England).*

Discretionary Issue. Greater mischief in the autumn if there had been a relaxing clause to be acted upon at the discretion of the Bank, *Morris* 8–10; *Cotton* 3166–3168. 3185, 3186. 3295——Opinion that it would be extremely dangerous if the Bank were allowed to issue at their discretion beyond fourteen millions in notes, *Morris* 189.

When the foreign exchanges are favourable, there should be no limit beyond the discretion of the Bank to large issues for the sake of restoring confidence, *Palmer* 751–755——Proceedings in 1793 and 1797 adverted to in support of the foregoing doctrine, *ib.* 753, 754——Expediency of some power of relaxation if the Act of 1844 be maintained, *Gurney* 1166–1168. 1201 *et seq.*; *Lister* 2605; *Kennedy* 3357–3359——A discretionary

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cretionary power may safely be vested in the Bank direction, *Gurney* 1202. 1205, 1206.

Reference to the discretionary management previously to 1844, as having been a failure, *Loyd* 1469, 1470.

Expediency, on the whole, of entrusting the Bank with the power of contracting or extending the circulation according to the state of the foreign exchanges and the home demand, *Glyn* 1770 *et seq.*——It would be better to revert to the old system under which the Bank managed its circulation, *ib.* 1777——Greater danger under the continuance of the present Act, with the expectation by the public of occasional relaxation by Government, than under a system leaving the relaxation and restriction in the hands and at the responsibility of the Bank, *ib.* 1881-1893——The Bank need not be restricted from acting on the principle of the fourteen million clause, *ib.* 1903, 1904.

Expediency of reposing considerable discretion in the managers of the Bank, and of allowing them to regulate their proceedings according to their own views of coming events, *Brown* 2227, 2228. 2239-2245. 2249-2251. 2260, 2261. 2362-2382.

Examination to the effect that without the Act of 1844, the Bank might by indiscretion have placed itself and the public in a worse position eventually, *Lister* 2544 *et seq.* 2603——Decided objection to the Bank being vested with power of relaxation of the Act in regard to the issue of Bank notes, *Norman* 2799-2802.

Advantage of the power of the Bank in 1825 to use its treasures indiscriminately, *Tooke* 2994——If there were a power in the Bank to suspend the law, such suspension would have taken place earlier than it did, and with much greater advantage, *ib.* 3072, 3073——Expediency of leaving the circulation in the hands of the Bank direction without any legislative control or check, *ib.* 3146-3155.

Recommendation that a discretionary power of relaxation be vested in the Bank, under an improved constitution, *Rep. p.* xlvii, xlviii. l.

See also *Extension of Issue. Government Interposition. Relaxation of Act of* 1844.

Divided Responsibilty. Inexpediency of a divided responsibility between the Bank and Government, *Glyn* 1782. 1874 *et seq.*——Objection to a discretionary power of relaxation being vested in the Government and in the Bank conjointly, *Rep. p.* xlvii.

Dividends on Public Securities. Practice of the Bank to lend out the Government balances which accumulate previously to the payment of the dividends, repayment being required in time for the dividends, *Morris* 586, 587.

The payment of the public dividends is a greater obligation than the payment of the Bank notes, *Tooke* 3024.

Drain of Gold. See *Efflux of Bullion. Foreign Exchanges.*

E.

East India Trade. Reference to the suspension of houses engaged in the Mauritius and East India trade, as one result of the pressure in autumn last, *Palmer* 684——The failures in the East India trade in the autumn were mainly owing to the action of the Bank, such trade being conducted on a peculiar system of time credit, or bills, which the Bank refused to renew, *ib.* 899-902——The failures in the trade were mainly owing to the extended credit system with which it had been carried on, *Glyn* 1697, 1698. 1700. 1820——In 1847, and the few years preceding, there was an undue extension of operations in the India trade beyond the capital of the parties, *Cotton* 3195. 3199, 4000.

Efficiency of the Circulation. See *Circulation. Hoarding.*

Efflux of Bullion:

1. *Pressure consequent on the Export of Bullion in* 1847.
2. *Particulars as to the Amount of the Efflux in* 1847.
3. *Amount previously to the Act of* 1845.
4. *Effect of the Act of* 1844 *in checking the Efflux.*
5. *Non-recognition of Distinction between a Foreign and an Internal Drain.*
6. *Expediency of more Liberal Accommodation when the Drain is Domestic.*
7. *Probable Effect of Political Disturbances on the Continent.*

1. *Pressure consequent on the Export of Bullion in* 1847 :

The export of the precious metals in payment for large importations of food was a main cause of the commercial pressure, *Morris* 11, 12; *Palmer* 684; *Gurney* 1098. 1193-1198. 1238-1260; *Loyd* 1349; *Glyn* 1648; *Lister* 2443-2446; *Cotton* 3194. 3247; *Kennedy* 3355; *Anderson* 3569; *Kinnear* 3652.

Report, 1848—*continued.*

Efflux of Bullion—continued.

2. *Particulars as to the Amount of the Efflux in* 1847 :

About 7,500,000 *l.* in bullion left the Bank, and about 1,500,000 *l.* in bullion was supplied by other parties, in payment of the imports of food, *Morris* 12. 541——Calculation that in 1846-47 the sum of 6,200,000 *l.* in gold left this country in payment for imports of foreign food, *ib.* 336-341——The export of silver for the same purpose was 1,300,000 *l.*, *ib.* 339——Propriety as regards the efflux of specie, of considering silver in the same category as gold, *ib.* 341, 342——How far the destination of sovereigns leaving the Bank is traceable, *ib.* 423, 424.

About two-thirds of the export of bullion went to America, and one-third to the Continent, *Palmer* 690——Witness's firm largely exported gold to America in 1847, *Brown* 2293-2295——The efflux of bullion in 1847 applied chiefly to gold, silver having been in less demand than in former years, *Norman* 2083——The diminution in the Bank bullion from July to October, was owing to an internal drain, *Tooke* 3003——Between the 14th August and 13th October 1847, the Bank lost 2,200,000 *l.* from an internal demand, *Morris* 3978.

3. *Amount previously to the Act of* 1845 :

Between the 21st June and 29th November, previously tc the Act which came into operation on the 6th December 1845, gold to the amount of 3,762,000 *l.* left the Bank of England through internal demand, *Morris* 3971-3973——A considerable proportion of this amount went most likely to make provision for the Act of 1845, which required the Scotch and Irish banks to make any issues beyond a certain limit against gold and silver, *ib.* 3974-3977. 4009-4011. 4013——The proportion of gold taken out of the Bank and going to Scotland cannot be ascertained, *ib.* 3978. 3990, 3991. 4013.

4. *Effect of the Act of* 1844 *in checking the Efflux :*

There would not have been so much bullion in October last if the Bank had not restricted its issues of notes, *Morris* and *Prescott* 70-76. 373; *Loyd* 1514. 1534, *et seq.*——Illustration of the beneficial effect of the pressure under the Act in the circumstance of a large amount of gold having been retained in this country in April 1847, which was all but on its way to America, *Loyd* 1548-1550——Reference to the relanding in May last of a shipment of specie being made to the United States from Liverpool; pressure at home which led to the abandonment of this transaction, *Wylie* 2123, 2124——Circumstance of witness's firm having re-landed a considerable shipment of gold merely as a precaution against the possible consequences of the panic, *Brown* 2296-2299.

Belief that the pressure in April was the means of preventing a considerable efflux of gold, *Norman* 2727. 2773-2775. 2780, 2781——Formerly the Bank allowed its bullion to flow out, but since 1844 an influx of gold is obtained by a most injurious process, *Wright* 2912. 2919——In April the exchange were unfavourable, and a most violent effort was necessary to stop the efflux of bullion, which went chiefly to America, *Tooke* 2997. 3004, 3005——Way in which a violent restriction of banking accommodation and paper circulation checks the efflux of bullion, *ib.* 3106-3114.

5. *Non-recognition of Distinction between a Foreign and Internal Drain :*

Impracticability of distinguishing accurately the various purposes for which there may be a demand on the Bank for gold, or how far the efflux may be owing to adverse foreign exchanges, *Loyd* 1370. 1379-1383. 1398——Whether a drain of bullion be for foreign or domestic purposes, the Bank should act in the same way and be equally guided by its reserve, *ib.* 1375-1383. 1394——Remarks in defence of the Act of 1844, in its not making any difference of action whether the foreign exchanges are adverse or favourable, or whether a demand for gold be foreign or internal, *ib.* 1449 *et seq.*——Different causes which produce a foreign demand for gold as compared with an internal demand, *ib.* 1463-1466——No satisfactory regulation can be founded on the basis of drawing a distinction between an internal and an external drain, *ib.* 1471.

Witness further contends that the influx or efflux of bullion is the simple fact by which the amount of circulation should be regulated, without reference to the quarters whither the efflux goes, *Loyd* 1548-1551——The proper solution of the question of an efflux of gold to foreign countries is, that gold is a cheaper commodity for export and for metallic payments than other exports are, *ib.* 1548. 1582, 1583——Under the Act, the specie only leaves the country according as the pressure is relaxed, *ib.* 1548-1551——Difficulty in distinguishing between an internal drain and a foreign drain with a view to a different action on the part of the Bank, in regard to its issues, *Norman* 2738-2745——If there were an internal instead of an external demand for bullion there might be a freer action in dealing with the reserve, *Cotton* 3274. 3278-3282 — Opportunities of the Bank for distinguishing between an internal drain of bullion, and a drain for foreign purposes, *ib.* 3309-3313.

6. *Expediency*

Report, 1848—*continued.*

Efflux of Bullion—continued.

6. *Expediency of more Liberal Accommodation when the Drain is Domestic:*

Evidence to the effect that the Act of 1844 is very defective in providing a similar treatment, whether there be an internal or a foreign drain; importance of extended issue and accommodation if the pressure be from home, *Palmer* 730–734. 939 *et seq.*——Clear distinction necessary to be drawn between an internal and an external drain, *Glyn* 1766 *et seq.*

The Committee state their disapproval of dealing solely with the positive amount of notes in the hands of the public, excluding disturbing causes as to the efflux of bullion, &c., *Rep. p.* xx *et seq.*, xxxii, xxxiii——Grounds for the conclusion as to the inapplicability of the same rule to periods of an internal drain and to periods of a foreign drain, *ib.* xxii-xxxi——The Committee quote extracts from the Bullion Report of 1810, relative to the internal pressure and distress in 1797, and in approval of the enlargement of accommodation then given by the Bank, *ib.* xxv, xxvi.

7. *Probable Effect of Political Disturbances on the Continent:*

Statement by Mr. Palmer in regard to the probable injurious operation of the Act of 1844, in the event of the continued efflux of bullion from this country in consequence of political crises on the Continent, *App. p.* 466.

See also *Foreign Exchanges.* *Imports of Food.*

Exchanges. See *Foreign Exchanges.*

Exchanges, Scotch Banks. System of exchanges between the banks in Scotland; it is similar to the settling at the Clearing House in London, *Kennedy* 3360, 3661——Previously to the Acts of 1844 and 1845, the circumstances of the exchanges in Scotland, or between Scotland and England were sufficient, without any additional provision of gold, to prevent undue issue by the Scotch banks, *ib.* 3514–3517——Explanation of the practice by which balances between bankers in Scotland are settled; excellent working of the Exchequer Bill system of settlement, *ib.* 3524–3527.

Convenience of the system of exchanges between bank and bank in Scotland: the system, however, does not render the circulation of each bank more apparent, *Kinnear* 3733–3740——The system of exchange of notes has been in operation for fifty and sixty years, *ib.* 3741——The system of paying balances in Exchequer Bills was introduced about ten or fifteen years ago, *ib.* 3742.

Remarks by the Committee in explanation and approval of the system adopted between the Scotch banks for the exchange of their notes, *Rep. p.* li.

Exchequer Bills. In the panic of 1825 the issue of Exchequer Bills restored confidence, and alleviated the general pressure, *Prescott* 241, 242——Exchequer Bills are not so available a security for investment for banks as they used to be, *Morris* and *Prescott* 401–403——Explanation as to the Bank having notified through their broker, in September last, that they were prepared to make advances on Exchequer Bills, whilst in October such advances were discontinued, *Morris* 582–587.

Reason for the Bank having of late years held a much smaller amount in Exchequer Bills than they used to do, *Palmer* 1040–1042. 1046–1049——Circumstance of Exchequer Bills being largely held by west-end bankers, *ib.* 1049. 1057——One feature of the panic last autumn was, that Exchequer Bills and other similar securities were not convertible into money at all, *Gurney* 1305.

An issue of Exchequer Bills in 1847 would have been useless, *Loyd* 1514; *Norman* 2800, 2801——In October last the money market at Liverpool was flooded with Exchequer Bills, *Brown* 2352——Circumstance as to there having been greater fluctuations in the price of Exchequer Bills in former years of pressure than in 1847, *Lister* 2635–2639——Inconvenience of Exchequer Bills as commercial instruments of circulation, *Tooke* 2992.

Extension of Issue:

1. *Objection to an extended Issue of Notes in Time of Pressure.*
2. *Evidence strongly in favour of an Extension of Issue.*
3. *Approval by the Committee of Occasional Extension.*

1. *Objection to an extended Issue of Notes in Time of Pressure:*

If the restrictions of the Act of 1844 had not been in existence in 1847, the Bank would most probably have given an unjustifiable assistance to the commercial world, *Morris* 8–10. 24, 25. 27. 29. 108. 115. 124 *et seq.*; *Cotton* 3166–3168. 3185, 3186. 3295——Opinion that it would be extremely dangerous if the Bank were allowed to issue more than fourteen millions in notes, *Morris* 189——Objections to a system of an increased issue of bank notes during times of pressure, *ib.* 243–245——An extended issue in times of pressure cannot be resorted to consistently with the terms of the Act of 1844, *ib.* 249, 250——In April, the case did not justify an extensive additional issue by the Bank; such issue would have led to a large export of bullion, *ib.* 299–302——The Bank should

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Extension of Issue—continued.

1. *Objection to an extended Issue of Notes in Time of Pressure*—continued.

not in time of pressure come forward to aid the public unless it can do so consistently with its own safety, *Morris* 308, 308.

Any very extended issues must result in stringent and injurious measures, *Morris* 308. 312. 320——Remarks on the large and beneficial issue of notes during the pressure in 1825; the circumstances of that pressure were not similar to the pressure of 1847, *ib.* 313-321——Further evidence as to the evil consequences which would have resulted if the Bank had over-issued in autumn last, *ib.* 320-322——In 1825 and 1847 the interposition of Government to increase the issues doubtless removed existing panics, *ib.* 386-391——If there had been an extended issue of notes, bullion would largely have left the country, and in recovering it increased mischief would have arisen, *ib.* 522, 523.

Peculiar and exceptional circumstances in 1825 under which the Bank issued about seven millions of notes in lieu of notes of country bankers, *Loyd* 1441-1444——Without the authority of Government, the Bank could not have allayed the panic by stating their willingness to extend their issue, and to discount bills at eight per cent., *ib.* 1530-1532——The Banking Department can reduce, but not extend, its issues, *Cotton* 3278. 3280.

2. *Evidence strongly in favour of an Extension of Issue:*

Great importance of a power to extend the issue beyond fourteen millions upon special occasions when the same may be done without endangering the convertibility of the note, *Palmer* 698 *et seq.*, 779 *et seq.*——If there had been no restriction in April last, the Bank might in all probability have terminated in a few weeks the pressure which arose from foreign demand, *ib.* 784-786. 798-803——A power to make an extended issue, without raising the rate of discount, was still more important in October last, *ib.* 784. 787-789——Necessity of due care in ascertaining the nature of any pressure before an extended issue of notes is made, *ib.* 862, 863. 875, 876.

Reference to the panic in 1825, as having been surmounted by an extended issue by the Bank, without any danger to its credit, *Gurney* 1216-1218——There would have been no danger in February 1846 if the Bank had largely extended their accommodation, *ib.* 1220——Though the restriction of the issue to a particular limit is fraught with danger, it is not expedient to give the Bank an unlimited power of accommodation, *ib.* 1268.

If the Bank had not been restricted by the Act of 1844, and had shown its readiness to extend its circulation, it might at once have mitigated the panic and the distress, without the slightest danger to itself, *Glyn* 1725 *et seq.*——The Bank should have extended its issue about the month of September; much evil would thus have been avoided, *ib.* 1775. 1875, 1876——The Bank might with perfect safety have removed the artificial difficulty in October, but for the restriction of the Act, *ib.* 1861——The mere knowledge by the public of a power of extended issue is enough to remove the causes of panic, *ib.* 1905.

If the Bank had increased its circulation to the extent of the sum required for the payment of food imported, great pressure and distress would have been obviated, *Wylie* 2172——The Bank might, with perfect safety to the convertibility of the note, have largely increased its issues in the autumn, *Brown* 2265, 2266. 2273, 2274——Belief that a larger issue during the late pressure would not have had an unfavourable effect upon the exchanges, *Gurney* 2652.

The power of an increased issue would have restored confidence, and made the circulation more active, *Wright* 2930-2935—— During speculative periods or rising prices there is no greater demand on the Bank for an increased issue, though there may be increased transactions, *Tooke* 3120-3127——In 1825 the Bank received a good deal of gold back from circulation, notwithstanding the enormous increase of its paper, *ib.* 3058.

3. *Approval by the Committee of Occasional Extension:*

The Committee are strongly of opinion, and adduce sundry grounds for such opinion, that in time of internal distress, unaccompanied by an adverse foreign exchange, an extended issue is most essential, *Rep. p.* x *et seq.*——Authorities quoted in proof of the importance of extended accommodation in times merely of internal discredit, *ib.* xxv *et seq.*

See also *Act* 7 *&* 8 *Vict. c.* 32. *American Trade. Bullion* (*or Specie*). *Circulation. Discretionary Issue. Foreign Exchanges*, 3, 4. *Government Interposition. Huskisson, Mr. Peel, Sir Robert. Relaxation of Act of* 1844. *Restriction upon Issue. Thornton, Henry. Treasury Letter of 25th October.*

Extent of the Distress. Extent of the pressure and commercial failures respectively in 1825 and 1847, *Morris* and *Prescott* 12. 97. 107——Further statement as to the extent and character of the failures in the manufacturing and commercial interests in 1847, *ib.* 110-123——In London thirty-three houses failed to the amount of 8,129,000 *l.*; seven of these are expected to pay in full, but the remainder will not average more than 6*s.* 8*d.* in the pound, *Morris* 112, 113.

Witness

Report, 1848—*continued.*

Extent of Distress—continued.

Witness considers that the distress in the autumn of 1847 was greater and more damaging in its consequences than any other pressure upon the commercial community since the beginning of the century, *Palmer* 679-682——Frequent failures and general discredit which resulted from the pressure upon the money market and the over-trading of many firms, *ib.* 684——The catastrophes of the autumn were beyond all parallel, so far as witness's experience goes, *Glyn* 1238. 1648——The distress of last autumn produced a general impoverishment of commerce in London, and was more productive of injury than any former pressure within witness's experience, *Gurney* 1299-1310. 1334.

The disturbance of credit was greater and more general in 1825 than in 1847, *Loyd* 1426, 1427——Statement that in 1783, in 1793, and in 1825, there existed much greater pressure and distress than in 1847, *ib.* 1496.

Both at home and abroad the commerce of this country suffered greatly through the panic of 1847, *Glyn* 1899-1902. 1912-1914——For a long period to come the effects of the pressure of 1847 will tell injuriously upon the trade and revenue of the country, *Wylie* 2079, 2080. 2127-2129——The great loss of capital was in the general trade of the country, and not merely in the corn trade and the West India trade, *ib.* 2141-2143——Belief that the panic of 1847 was greater than all other panics, *Brown* 2363. 2431——Belief that the pressure of 1847 was more severe than the pressure of 1825, 1837, or 1839, *Lister* 2609 *et seq.*

Greater severity of the pressure of 1825 than of 1847, *Norman* 2761-2764——The pressure in 1847 was far more severe than any pressure since 1825, *Tooke* 2981——In 1825 the discredit and failure of country banks, and the general derangement of the country circulation, were much greater than in 1847; causes of this, *ib.* 2982-2987——Shorter duration and less intensity of the pressure in April than in the autumn, *ib.* 2996, 2997.

Opinion that the commercial distress in 1847 has been greatly exaggerated, and that it was much less severe than the distress in 1825 and 1839, *Cotton* 3190-3193.

Doubt as to there having been any inconvenience in Ireland, as arising from want of means, during the late pressure, *M'Donnell* 4111——The pressure in England extended to Ireland only so far as speculators in corn, &c. were concerned, *ib.* 4113——Corresponding effect in Ireland of the monetary pressure in England in the autumn, *ib.* 4136, 4137——The commercial crisis in England in 1847 caused a great diminution of banking business in Ireland, *Murray* 4232-4235.

The Committee draw attention to the evidence as to the extent of the distress, and consider that a more alarming picture could not well be given, *Rep. p.* iv-x——In some respects the conjuncture was favourable, and was exempt from contingencies which would have rendered the extent and intensity of suffering still more favourable, *ib.* x.

See also *Bank of England,* 7. *Bankruptcies. Cotton Trades. Credit. East India Trade. Glasgow. Ireland. Liverpool. Manufacturing Districts. Railway Speculations. Scotland,* 3. *Solvent Houses.*

F.

Failures. See *Corn Trade. Credit. East India Trade. Extent of the Distress. Liverpool. Solvent Houses. Want of Capital.*

Fielden, Brothers & Company. Instances of refusal, in September and October last, of the branch of the Bank of England at Liverpool to discount bills for Messrs. Fielden, *Lister* 2478-2482.

Five Shilling Notes. Doubt as to the expediency of bank notes for 5*s.* or for 2*s.* 6*d.* in Scotland, *Anderson* 3606-3613——Impression that the issue of notes of less value than 20*s.* is not expedient, *Kinnear* 3785-3791. 3798.

Fluctuations (Rate of Interest). See *Rate of Interest (Bank of England).*

Forced Sales. Considerable sacrifice of property in October, on account of the necessity of forcing sales at any price, *Lister* 2534-2539——Way in which the Act of 1844, in contracting the circulation, compelled manufacturers to force sales at ruinous prices, *Wright* 2912.

Foreign Exchanges:

1. *Causes and Effect of unfavourable Exchanges.*
2. *State of the Exchanges during the past Year.*
3. *Approval of the present Practice of dealing with the Exchanges.*
4. *Disapproval of the Practice under the Act of* 1844.

1. *Causes and Effect of unfavourable Exchanges:*

Circumstances which produce adverse foreign exchanges, *Morris* 289. 291, 292——Rapid decline in the exchanges with America and the Continent, consequent on the large

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Foreign Exchanges—continued.

1. *Causes and Effect of unfavourable Exchanges*—continued.

export of bullion necessary to meet the importation of food, *Palmer* 684 693——As regards the state of the foreign exchanges, the same is doubtless closely connected with and dependent upon the balances of trade in public securities, as well as in commodities, *Loyd* 1582, 1583.

Effect of large imports from America in 1847, in rendering the exchange with that country unfavourable, and in leading to the export of bullion from this country, *Wylie* 2155-2160. 2163——Effect of the adverse exchange with America, and of the export of bullion in lowering prices and increasing exports of goods as a means of correcting the exchanges, *ib.* 2161-2171.

Two causes of an adverse exchange, *Brown* 2282——Doubt as to the depreciation of the home curreney as the inevitable result of an adverse exchange, and the export of bullion, *ib.* 2282-2292——Causes of the adverse exchange with America during part of 1847, and the turn of the exchange in favour of this country, *ib.* 2300.

2. *State of the Exchanges during the past Year:*

Distinction between the pressure in April and October; state of the foreign exchanges at each period, *Morris* 141, 142. 144; *Norman* 2728-2730——The export to America ceased in April, on account of a turn in the exchanges, *Palmer* 691-693——Circumstance of the exchanges having been favourable for the Bank throughout the pressure in the summer and autumn, *Palmer* 727-729; *Tooke* 2998-3003——Statement as to there having been a very severe foreign drain upon the gold in the Bank during the earlier months of 1847, *Loyd* 1369-1374. 1387. 1398, 1399——The pressure in the spring re-adjusted the foreign exchanges, which, by the autumn, set strongly in favour of this country, *Glyn* 1648.

3. *Approval of the present Practice of dealing with the Exchanges:*

Expediency generally of a stringency of the circulation in the event of large exports of the precious metals, *Morris* 124, 125——Importance of a different and more cautious policy upon the part of the Bank when the exchanges are adverse and gold is leaving the country, than when there is an influx of gold and an internal demand, *ib.* 143-145 ——Disapproval, nevertheless, of any legislative abrogation of the Act of 1844, in its principle of dealing similarly with an internal and external demand, *ib.* 146, *et seq.*

It is easy to distinguish between a foreign drain for gold and an internal drain, *Morris* 283-285—— So far as the management of the Bank is concerned, it is immaterial whether a drain be foreign or internal, *ib.* 286-288——An internal drain and a foreign efflux, though dependent upon opposite principles, are dealt with under the Act of 1844 in the same manner, *ib.* 294, 295——Even had it been foreseen, in October 1846, that a drain to the extent of 6,000,000*l.* was about to take place, the Bank could not have prevented the commercial disturbance which ensued, *ib.* 344-348.

Considerations as to the effect of the state of foreign exchanges upon the circulation; under an adverse exchange the aggregate circulation should be contracted, *Loyd* 1443-1452 ——Reference to the continuous drain of gold for foreign purposes in the earlier months of 1847; if, instead of adopting restrictive measures, the Bank had further increased its issues, the result would have been fatal to our monetary system, *ib.* 1644.

Approval of a different action on the part of the Bank in accordance with a different state of the exchanges, *Norman* 2730-2735——From whatever causes the exchanges are unfavourable, the remedy is a contraction of Bank notes, *ib.* 2741.

Importance of the Bank always looking to the state of the foreign exchanges in the conduct of its proceedings, *Cotton* 3271, 3272——Respect in which the Banking Department does or should, under the Act of 1844, regulate its operations in accordance with the state of the foreign exchanges, or of the home demand, *ib.* 3273-3282——Adverse foreign exchanges would by no means justify the removal of the restrictions of the Act, *ib.* 3295-3297.

4. *Disapproval of the Practice under the Act of* 1844:

Evil arising from the Act when the foreign exchanges became adverse towards the close of 1846, and when the Bank reserve fell so low in 1847, *Palmer* 698——Manifest defect of the Act of 1844, in its providing a similar treatment, whether the foreign exchanges are favourable or unfavourable, *ib.* 730-734——Further evidence, showing the importance of distinguishing between foreign demand and internal panic, and of not restricting the accommodation by raising the interest, save in the former case, *ib.* 939 *et seq.* 1010-1029.

When the foreign exchanges are advanced, it is especially incumbent on the Bank to contract the circulation by raising the rate of interest, *Glyn* 1766, 1767. 1771-1773. 1802-1806. 1845-1850. 1895. 1921——Facilities for ascertaining when the foreign exchanges are adverse, *ib.* 1770-1772, 1788-1791—— In the autumn of 1847, the period was distinctly marked between a favourable and unfavourable exchange, *ib.* 1774-1776 ——Up to the middle of September the exchanges were adverse, and the Bank could not,

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Foreign Exchanges—continued.

4. *Disapproval of the Practice under the Act of* 1844—continued.

not, up to that period, have extended their issue without serious injury, notwithstanding the large supply of bullion in the Issue Department, *Glyn* 1842-1856——Under the Act of 1844, there is no provision for dealing with the foreign exchanges, *ib.* 1896, 1897.

Difficulty of laying down a fixed rule in regard to the issue of notes, when the exchanges are adverse, and bullion is leaving the country, *Brown* 2275-2281.

The Committee adduce sundry grounds for their conclusion as to the inapplicability of the same rule to periods of favourable and of adverse foreign exchanges, *Rep. p.* xxii-xxxi——Clear distinction between the state of the exchanges in April and in October; they were unfavourable at the former period, and favourable at the latter, *ib.* xxii, xxiii.

Quotation of evidence which goes to prove that a different rule should be acted upon in regulating the issue of bank notes, when the foreign exchanges are adverse, and when they are favourable, *Rep. p.* xxiii-xxv——The concurrent evidence as to the mischief which would have ensued if the latter had been issued in April, when the foreign exchanges were adverse, shows the necessity of a different line of action when the exchanges are favourable, *ib.* xxix——Proof cited, that the Act of 1844 does apply the same rule in cases of an adverse and a favourable foreign exchange, *ib.* xxxi-xxxiii.

See also *Efflux of Bullion.* *Rate of Interest* (*Bank of England*). *Silver.*

France. Statement as to there having been less fluctuation in the rate of interest in France than in this country in the past year, *Morris* 527-534. 545-547; *Palmer* 924-929; *Loyd* 1616-1621; *Glyn* 1694. 1704-1706——The legal rate of interest in France is six per cent. for monied securities, and five per cent. for land, *Right Hon. Lord Ashburton* 3324.——*See* also *Bank of France.*

French Revolution. Check given by the French Revolution to the little improvement that was lately beginning to manifest itself in the manufacturing districts of this country, *Brown* 2415. 2429.

G.

Glasgow. Witness delivers in a return extending over the years 1840-47, showing a considerable increase of bankruptcies, civil suits, and criminal cases in Glasgow, since the passing of the Acts of 1844 and 1845, and more especially in the year 1847, *Alison* 3841——Also a return for the same period, showing a considerable increase in the rate of mortality in Glasgow, and the amount of assessment to the poor, since the year 1845, *ib.* 3842.

In the past year there were upwards of 7,000 poor buried in Glasgow at the public expense, *Alison* 3843——Witness has constantly observed that any considerable rise in the rate of discount of the Bank of England has been followed in Glasgow by an increase of crime and of civil suits, and if it continues long, of mortality and typhus fever, *ib.* 3844—— Belief that during the last two years half the realised property in Glasgow has perished, *ib.* 3848——Illustration of the severity of the distress among the merchants and manufacturers during the past year, *ib.* 3849.

Calculation as to the number of persons out of employment and in employment, in Glasgow and its vicinity, previously to the pressure in October 1847, and in April 1848; immense increase in the number of unemployed, consequent upon the commercial distress, *Alison* 3850-3865——Reference to the late riots in Glasgow as mainly owing to the want of employment, *ib.* 3866, 3867——Opinion that the commercial distress and want of employment in Glasgow are almost entirely attributable to the sudden contraction of the currency, and of discount accommodation, which were the necessary results of the Acts of 1844 and 1845, *ib.* 3868 *et seq.*

Increase since 1840 and 1844 in the amount of the Glasgow custom-house duties, and of the harbour dues in the Clyde; there should be a proportionate increase in the currency without reference to the basis of gold, *Alison* 3924-3926 ——The present Bank Acts are decidedly injurious to Glasgow, more especially at the recurrence of certain periods, when they cause a run upon the banks, *ib.* 3969.

Glyn, George Carr. (Analysis of his Evidence.)—Banker in the City; has been in business upwards of thirty years, 1645——Has never been in the Bank direction, being, as a private banker, ineligible, 1646——The commercial pressure in April 1847 was more principally from the large importation of corn, and the consequent heavy export of bullion, 1648——The pressure re-adjusted the foreign exchanges, which by the autumn set strongly in favour of this country, *ib.*

The pressure in the autumn arose from the failures in the corn and other trades, 1648 ——The distress immensely increased in consequence of the discredit and panic which gradually spread throughout the mercantile world, *ib.*——In the week before the issue

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Glyn, George Carr. (Analysis of his Evidence)—*continued.*

of the Government letter of 25 October, the discredit was beginning to operate very seriously among the banking establishments throughout the country, 1648.

Striking difference between the pressure in April and in October, 1648——In April the Bank did everything in its power for the mercantile body, *ib.*——The great reduction in the Bank reserve largely contributed to the want of confidence, 1648. 1696——Considerations as to the extent to which the demand for money on account of railways and the increased importations of food required for railway labourers, added to the distress in 1847; 1649-1660. 1664. 1668.

The loan raised by Government in 1847 was some aggravation of the monetary pressure, 1661-1663——The low rate of interest previously to 1847 was the main cause of the speculations which took place, 1666-1668——Witness attributes the low rate of interest subsequently to September 1844 to the operations of the Bank of England in the money market, 1669 *et seq.*——Under the Act of 1844 the Bank adopted a new practice in regard to discounts, and became competitors with the usual suppliers of money to the mercantile classes, 1670-1678. 1682-1684. 1813, 1814.

Advantage of the Bank over private discounters, even though it charges only the same rate of interest, 1679-1681. 1685-1688——In 1847 there were higher rates of interest and greater fluctuations in the rate than in any other year within witness's experience, 1689-1692——Opinion that the commercial failures were not the result of the high rate of interest, 1693. 1807-1809——Less fluctuation in the rate charged by the Bank of France than by the Bank of England, 1694. 1704-1706.

In April 1847 the high rate of interest was the necessary effect of an adverse state of the exchanges, 1695. 1703——The high rate in the autumn resulted from the general discredit and the heavy internal demand for accommodation, 1695, 1696——The failures in the East India trade were mainly owing to the extended credit system with which that trade had been carried on, 1697, 1698. 1700. 1820——Cause of the failures in the Mauritius trade, 1698, 1699——With some exceptions, the houses which failed in October ought to have failed, 1700. 1731. 1913——Tendency of the low rate of interest previously to 1847 to encourage credit and speculation, 1701, 1702. 1819, 1820. 1915.

Necessity of fluctuation in the rate of interest, though a great evil, as a means of correcting the state of the foreign exchanges, 1703——The Bank of England, more especially in time of pressure, largely influences the rate of interest in the money market, 1708-1711——Further evidence as to the effect of the reduced reserve of the Bank in October in creating panic, and in leading to a general practice of hoarding, 1712-1721. 1920——Although there was an unusually large amount of notes in circulation, or rather in the hands of the public, in October, the circulation was very inadequate, 1713. 1717-1721.

There was never any distrust of the convertibility of the bank-note in October, 1722——Under the Act of 1844 the Bank had not the wherewithal to make further advances to the public, had they been applied for, 1723, 1724. 1916-1920——If the Bank had not been restricted by the Act of 1844, and had shown its readiness to extend its circulation, it might at once have mitigated the panic and the distress, without the slightest danger to itself, 1725 *et seq.*——Considerations as to the action of the Bank in 1825 and 1847 respectively; deduction (as drawn from the advantage of the liberal issue and accommodation in the former year) unfavourable to the restriction under the Act of 1844; 1728-1733. 1757-1767.

The Government letter of 25th October, in removing the restriction of the Act of 1844, removed also the panic and the evil, 1734-1739——Reference to the higher rate of interest of the Bank of France than of the Bank of England in the earlier part of 1847; 1740-1742——The panic doubtless inflicted serious losses on several solvent houses, 1743——The panic of 1825 referred mainly to the banking interest, and that in 1847 to the commercial interest, 1744, 1745——Remarks in approval of those provisions of the Act of 1844 which limits the issue of notes by country bankers, 1746-1756. 1878.

Clear distinction necessary to be drawn between an internal and an external drain, 1766-1770——When the foreign exchanges are adverse, it is especially incumbent on the Bank to contract the circulation by raising the rate of interest, 1766, 1767. 1771-1773. 1802-1806. 1845-1850. 1895. 1921——Facility for ascertaining when the proper exchanges are adverse, 1770-1772. 1788-1791——Expediency, on the whole, of entrusting the Bank with the power of contracting or extending the circulation, according to the state of the foreign exchanges and the home demand, 1770 *et seq.*——In the autumn of 1847 the period was distinctly marked between a favourable and unfavourable exchange, 1774. 1776——The Bank should have extended its issue about the month of September; much evil would thus have been avoided, 1775. 1875, 1876.

It would be better to revert to the old system under which the Bank managed its circulation, 1777—— For the due administration of the circulation, the constitution and system of the Bank court are not such as they ought to be; amendments suggested, 1777-1787. 1797——The Bank direction has, on the whole, managed affairs extremely well; there are, however, exceptions to this rule, 1782. 1795, 1796. 1806—— Evidence in favour of leaving

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leaving the whole responsibility of the circulation in the hands of the Bank Court, properly constituted, rather than of vesting any responsibility in the Government, 1782, 1783. 1793-1799. 1869-1894.

Objection to a definition in the Act of the circumstances under which an extended issue might be made, 1792, 1793—— Reference to the action of the Bank some years ago in giving considerable accommodation to the Northern and Central Bank, 1800-1802—— The amount of notes proper for circulation cannot be regulated merely by the amount in the hands of the public, 1804——Necessity of the power of the Bank to sell stock and convert its peculiarities into notes, 1805, 1806.

Commercial pressures in Manchester, &c., were owing to the difficulty of turning bills into money, and not to the high rate of interest, 1807-1810——Belief that in the autumn the Bank discounted freely for all those who had any right to ask for discounts, 1811, 1812—— Until the pressure in 1847, witness was in favour of the Bank direction being relieved from the management of the circulation, but he now considers that the experiment has decidedly failed, 1813-1817——The effect of the Act of 1844 did not really come before the public till the spring of 1847; 1818.

Great usefulness of the information given by the publication of the Bank accounts; risk, however, in the publication, 1821, 1822—— Suggestion in regard to the rate of interest proper to be charged upon the 3,000,000*l.* advanced by the Issue Department to the Bank of England on securities, 1823-1825——Evidence opposed to that clause of the Act of 1844 which restricts the Bank to holding only one-fifth of its bullion in silver, 1826-1833——Great convenience of silver for foreign exchanges, 1828-1831.

Great increase of the pressure in October if the Government had applied to the Bank for advances on deficiency bills, 1834-1839——Doubt whether the stock market would have borne the sudden sale of 2,000,000*l.* of securities during the panic, 1836. 1865, 1866——A Government loan in October would have produced much inconvenience, 1839-1841——Up to the middle of September the exchanges were adverse, and the Bank could not up to that period have extended their issue without serious injury, notwithstanding the large supply of bullion in the Issue Department, 1842-1856.

Neither in 1825 nor 1839 was the convertibility of the note in actual danger, 1851-1854. 1872—— Notwithstanding the reserve of eight or nine millions in the Issue Department in October last, a sudden withdrawal of the private deposits in the Bank might have occasioned a run for gold upon the notes, 1857-1864——The Bank might with perfect safety have removed the artificial difficulty in October but for the restriction of the Act, 1861——Opinion that had there been a bad harvest last year, the Bank must, under the Act, have stopped payment, 1862, 1863.

The convertibility of the bank-note is an object of primary importance, 1867——Such convertibility can be secured under the provisions of the Act of 1819, carried out by an improved bank management, 1868 *et seq.*——The 14,000,000*l.* clause of the Act of 1844 should, in fact, be repealed, 1878—— Greater danger under a continuance of the present Act, with the expectation by the public of occasional relaxation by Government, than under a system, leaving the relaxation and restriction alike in the hands and at the responsibility of the Bank, 1881-1893.

Under the Act of 1844 there is no provision for dealing with the foreign exchanges, 1896, 1897——It is a mistaken theory for the Bank to act in its Banking Department as ordinary bankers do, 1898——Both at home and abroad the commerce of this country suffered greatly through the panic of 1847; 1899-1902. 1912-1914——The Bank need not be restricted from acting on the principle of the 14,000,000*l.* clause, 1903, 1904—— The mere knowledge by the public of a power of extended issue is enough to remove the causes of panic 1905——The knowledge of the restriction to 14,000,000*l.* was, in fact, the cause of the panic in 1847; 1906, 1907.

Further evidence as to the expediency of certain alterations in the constitution of the Bank direction, 1908-1911——Blow to the credit of the mercantile body generally through the failures of houses conducted on a system of over-credit, 1912-1915——Less means of the Bank in 1847 than in 1825 to have given accommodation to the banking interest; fortunately, the demand was not made in 1847; 1916-1920.

Reference to certain answers by Mr. Jones Loyd to questions by Sir Robert Peel before a Select Committee in 1840; these questions and answers are in accordance with the principle of unrestricted discretion on the part of the Bank, 1921.

Gold. See *Act* 7 & 8 *Vict. c.* 32. *Bank of Ireland. Bullion (or Specie). Efflux of Bullion. Foreign Exchanges. Ireland. Light Gold. Run for Gold. Scotland,* 4, 5, 6, 7, 8.

Government Interposition. Evidence as to the importance of distinguishing between commercial pressures and undue panics; in the latter case only is Government interposition at all desirable, *Morris* 148-161. 176-179. 254 *et seq.*——Under extreme circumstances,

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Government interference may under any law be advisable, *Morris* 239, 240. 246. 248, 249. 254.

Under the influence of panic, emergencies may occur which no Act can guard against, and which can only be dealt with by the special authority of Government, *Loyd* 1440. 1483–1489——The are many precedents which justify Government in suspending the provisions of any Act, *ib.* 1486, 1487——As regards the interference of Government, it should only take place on the direct authority of Government, and under very extraordinary circumstances of pressure, *ib.* 1493, 1494. 1514——Refusal by the Bank to issue in accordance to the Government direction, in time of panic, is too improbable to require serious consideration, *ib.* 1501, 1502——Witness decidedly differs from those who think that Government should have issued a letter in April similar to that in October, *ib.* 1521–1524——The power and responsibility of relaxation of the Act of 1844 should rest exclusively with Government, *ib.* 1559, *et seq.*

Difficulty in giving Government the power of controlling the Bank direction; recourse to the adverse opinion of the Chancellor of the Exchequer in time of pressure would be sufficient, *Brown* 2241–2245. 2249–2251. 2350——Government interposition in April would have been very injurious, *Norman* 2724–2730. 2748. 2780, 2781. 2799; *Cotton* 3266–3270. 3295–3297——Objection to any legislative provision for the exercise of relaxation; special interposition by Government is far preferable, *Cotton* 3285–3287. 3291–3295——Except under very extraordinary circumstances, no minister would relax the rule of the Act, nor would the public otherwise expect relaxation, *ib.* 3292, 3293.

Objection to a system of interposition on the mere authority of the Crown and its advisers, *Rep. p.* xlv–xlvii——Inexpediency of vesting in the Government a discretionary power of relaxing the restrictions of the Act of 1844, *ib.* xlvi, xlvii.

See also *Treasury Letter of 25th October.*

Government Loan. The loan raised by Government in 1847, was some aggravation of the monetary pressure, *Glyn* 1661–1663——A Government loan in October would have produced much inconvenience, *ib.* 1839–1841.

Governor of Bank of England. See *Bank of England,* 1, 2.

Gurney, Samuel. (Analysis of his Evidence.)—Bill-broker in the City, 1093, 1094——Has, from the nature of his business, had opportunity of becoming acquainted with the causes and effects of the commercial pressures in the past year, 1095–1097——The crisis in April arose in the first instance from the large importation of food consequent on the failure of the potato crop and harvest of 1846; 1098——The Bank of England, in dealing as a private bank, and in encouraging transactions by an unduly low rate of interest, decidedly aggravated the pressure in the spring, 1098 *et seq.*, 1169. 1171–1176.

Effect of the restrictions of the Currency Act of 1844, in compelling the Bank suddenly to contract its accommodation, thereby causing serious derangement of the money market, and much disaster, 1098 *et seq.*——If the Bank had commenced a restrictive system much earlier than it did, the difficulties which arose in April would have been greatly mitigated, 1098–1101. 1106——Lower rate of interest charged by the Bank than by witness's firm for several months preceding January 1847; 1102–1105——During an adverse exchange the market rate of discount is invariably beyond that of the Bank, and *vice versâ,* 1107.

Whether the exchanges are favourable or unfavourable, the Bank rate of interest materially affects the market rate, 1108–1114——Independently of the action of the Bank, the value of the money would have been forced up to a considerable extent during the recent distress in the autumn, 1114–1116——The operation of the Bank raised to a rate of from eight to ten per cent. what would have been from six to seven per cent., 1114, 1115——The panic and distrust caused an immense decrease in the reserve and bullion of the Bank, whilst at the same time it is probable that four or five millions of notes held by the public never went into circulation at all, 1116–1118.

The alarm in the public mind in October, that bank-notes might not be obtainable, was clearly shown, 1116–1120. 1127–1131. 1141——Circumstance of the Bank having on 23 October last demanded ten per cent. interest on an advance of 200,000 *l.* required by witness on unexceptionable security; nine per cent. was subsequently taken, 1118–1120——Striking effect at this period of the Treasury Letter of 25 October; it entirely restored public confidence, and rendered money comparatively easy, 1120–1123. 1127–1131.

The temptation of a high rate of interest in a very small degree only, if at all, neutralises the effect of panic, 1123–1127. 1143–1147. 1261, 1262——Before the end of the year, there was a decrease of more than three millions of notes in circulation, the practice of hoarding having ceased, 1127–1131——In obtaining a credit on the Bank, witness's firm, or at least their customers in Lombard-street, always take the payment in actual notes, 1132–1140——A very large proportion of the operations of bankers is settled by the payment of a balance in the Clearing-house, so that notes do not pass, 1138.

If

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Gurney, Samuel. (Analysis of his Evidence)—*continued.*

If the application of witness's firm on 23 October, and of other houses about the same time, had been refused, the panic would have greatly increased, and the consequences might have been extreme, 1142, 1143——A purely metallic currency would limit credit, commercial transactions, and national prosperity, whilst at the same time a metallic basis for a circulating medium of paper is most essential, 1148-1163——The theory of the Act of 1844 was to place currency on a sound basis, 1164. 1166——Witness considers that the Act has decidedly failed in securing safety, and that in time of pressure it aggravates distress, 1165, 1166.

Evidence in favour of a power of relaxing the restrictive provisions of the Act, 1166–1168. 1201 *et seq.*——Further reference to the progress of the panic of autumn last, as showing that it was decidedly aggravated by the great advance in the Bank rate of interest, 1168. 1183-1200——Material and injurious effect of the sudden contraction of accommodation by the Bank in April, 1169——Belief that the pressure in April had no material effect as regards the panic in October, 1170——The principle, as adopted more especially since the Act of 1844, that the Bank is to look to its own interest alone, just as private bankers do, is not sound, 1172–1182.

The heavy expenditure for foreign corn, and the immense investments in railways, doubtless contributed largely to the commercial derangement in October, 1193-1198. 1238–1260——If the Government letter had been issued a month earlier it would have greatly mitigated the pressure, 1199-1201——The principal of the Act in regard to a restricted issue is good, but the practice is dangerous, 1201. 1207, 1208——Any discretionary power of relaxation may safely be vested in the Bank direction, 1202. 1205, 1206——It is impossible to define the circumstances under which relaxation should take place, 1203, 1204.

Statement relative to the payment into the Bank in February 1846 of the enormous sum of fourteen millions on account of deposits on railways; necessary contraction, nevertheless, by the Bank of its accommodation to the public, thus showing the injurious working of the Act of 1844; 1209–1214. 1220-1225——Imprudence on the part of Government in allowing a sum, estimated at likely to amount to from twelve to twenty-five millions, to have been obtained from the money market in any one week, as in February 1846; 1214.

Reference to the panic in 1825 as having been surmounted by an extended issue by the Bank, without any danger to its credit, 1216–1218——How far the state of the foreign exchanges affects the question whether Bank notes be in excess or not, 1217. 1219——There would have been no danger in February 1846 if the Bank had largely extended their accommodation, 1220——Effect of the immense call on railway shares in February 1846, taken in connexion with the Act of 1844, in raising the rate of discount, 1222–1225.

The pressures in February 1846, in April 1847, and in the autumn of 1847, all show that the Act of 1844 aggravates commercial distress, 1226-1228——The convertibility of the Bank note is very important, but it is endangered rather than secured by the present extreme restriction, 1229-1233——Witness was at first favourable to the restriction of the issue to 14 millions, but experience has shown him that the limit is too low, 1234–1237——In fact, but for the Act the pressure on the money market in 1847 would not have been very material, 1259.

During a panic there is no hesitation about paying high rates of interest on account of the demand for money, 1263–1266——Under adverse circumstances, any limitation in the amount of accommodation should be gradual, 1267——Any advance in the rate of interest should also be gradual, *ib.*——Though the restriction of the issue to a particular limit is fraught with danger, it is not expedient to give the Bank an unlimited power of accommodation, 1268.

Further statement as to the unsoundness of the principle that the Bank should act as a private concern, and look only to the state of the reserve, 1269. 1274, 1275. 1328, 1329——Before the adoption of this principle the affairs of the Bank were judiciously managed, 1269, 1270——Witness at first approved of that portion of the Act enabling the Bank to act as private bankers, 1271–1274——Doubt whether, under the Act, the Bank would be in a better position to meet a run for gold than if the Act were not in existence, 1276–1289.

Remarks in favour of a power in the Bank to hold an increased proportion of its bullion in silver, 1290–1298——Marketable character at all times of silver on the Continent, 1296–1298——The distress last autumn produced a general impoverishment of commerce in London, and was more productive of injury than any former pressure within witness's experience, 1299–1310. 1334.

Endeavour of witness's firm to keep down the rate of discount to their customers in the autumn, 1303, 1304——Material injury caused to legitimate commerce by the great advance in the Bank rate, 1305–1310. 1312——The protection to the Bank, by raising the interest, is overrated, 1311——In autumn last the Bank might, with perfect safety, have kept its interest down to five per cent. but for the Act, 1312–1314.

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Approval of the publication of the accounts of the Bank, 1315-1318——Probability of the publication of the reserve having increased the panic in October, 1319. 1326, 1327——Injurious effect of the panic upon bankers and money-lenders on the score of bad debts, 1321-1325——Natural wish of the Bank direction to raise the Bank dividend by increasing their rate of interest, 1328, 1329.

Impression that the present division in the management of the Issue and Banking Departments has not worked favourably, 1330-1333——Witness has prepared, and will lay before the Committee (*App. p.* 467), a table of the rate of interest for the last twenty years, 1335, 1336——Explanation as to the character and mode of conduct of the business of witness's firm; they are money dealers rather than bill brokers; 1337-1345.

[Second Examination.]—Efficiency of the circulation at the present time, notwithstanding that the amount of bank-notes in the hands of the public is much less than in October last, or in the pressure of 1825; 2645-2651——Belief that a larger issue during the late pressure would not have had an unfavourable effect upon the exchanges, 2652——Result of the confidence consequent on the Government letter that the public at once discovered they had more notes than they required, 2653, 2656.

Whether the currency be paper or metallic, a larger circulation is required in an active state of transactions than in a state of stagnation, 2657, 2658. 2661——During a pressure the limitation of the currency increases the desire to get possession of the circulating medium to the great harm of the community, 2659-2661——Further expression of the opinion that a purely metallic currency is very undesirable, 2662——Any unalterable limitation of the currency is a great evil, 2663.

In 1825 the issue of 1*l.* notes stopped the run for gold, 2665. 2669, 2670. 2674-2678——Circumstances connected with the run for gold on the Norwich Bank in 1825, and with the stoppage of the run by the tender of 1*l.* Bank of England notes in lieu of gold, 2665-2669——On the whole, a permanent issue of 1*l.* notes is not desirable; it would endanger the convertibility of the note rather than otherwise, 2669-2678.

H.

Hamburgh. Considerable fluctuation in the rate of interest in Hamburgh in 1847; there is no public bank of discount there, *Palmer* 922, 923; *Loyd* 1634, 1635——Reference to an export of bullion to Hamburgh in the autumn, after the foreign exchanges had turned in favour of this country, *Glyn* 1843.

Harvest. The failure of the harvest and potato crop in 1846, and the consequent large importations of food requiring an export of bullion, were the main causes of the distress in 1847, *Morris* 11, 12; *Palmer* 684; *Gurney* 1098. 1193-1198. 1238-1260; *Loyd* 1349; *Glyn* 1648; *Lister* 2443-2446; *Cotton* 3194. 3247; *Kennedy* 3355; *Anderson* 3569; *Kinnear* 3652.

Had there been a second failure of the harvest in 1847, it is very doubtful whether the Bank could have gone on, *Palmer* 833, 834; *Glyn* 1862, 1863——The effects of a second bad harvest would have been mitigated by the Act, *Loyd* 1401.

Hoarding. Evidence to the effect, that in time of panic or discredit the circulation is seriously affected by the prevalence of hoarding, the community generally keeping increased reserves, *Morris* 170-175. 221-223. 225. 229; *Prescott* 224. 228; *Palmer* 743-746. 950-956; *Gurney* 1123-1127. 1143-1147. 1161, 1162. 2657, 2658. 2661; *Loyd* 1454, 1455; *Glyn* 1804; *Wright* 2913-2916. 2927-2935; *Tooke* 3094-3105. 3127——The banks generally had probably commenced to hoard before the failures in the autumn, *Morris* 279, 280——Opinion that the hoarding by the banks was subsequent to the failures, *Prescott* 280, 281.

Belief that in October about 3,000,000*l.* of notes were issued, for the purpose of being kept by the public as reserves, and did not go into actual circulation, *Palmer* 912-914——The panic and distrust caused an immense decrease in the reserve and bullion of the Bank, whilst at the same time it is probable that from four to five millions of notes held by the public never went into circulation at all, *Gurney* 1116-1118——The hoarding of gold during panic is not so great as is usually estimated, *Loyd* 1497——Natural effect of the low reserve of the Bank in inducing private bankers to convert their securities and increase their reserves, *Glyn* 1713-1716. 1719.

Circumstance of the Bank of Liverpool, which ordinarily held about 40,000*l.* in notes having increased the amount to 260,000*l.* in consequence of the panic, *Wylie* 2086; *Brown* 2264——General practice of hoarding, both in notes and specie, when the Bank reserve is low and its power of issue restricted, *ib.* 2259. 2263-2265——There was a considerable hoarding during the late pressure, which doubtless affected the rate of interest, *Norman* 2718-2720——During the pressure in autumn last, the Nottingham bankers largely increased their reserves of gold and notes, *Wright* 2824-2826. 2831-2833. 2836.

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If the public lock up their notes, it is right that they should suffer for it, *Cotton* 3264, 3265——Approval of the tendency of the Act of 1844 to cause, under certain circumstances, increased reserves in the hand of the public, *ib.* 3288–3290.

The Committee adduce sundry authorities for the conclusion, that hoarding is extensively practised in time of panic, and that the efficiency of the circulation is not identical with its money amount, *Rep. p.* xvii–xxi.

See also *Circulation.* *Treasury Letter of 25th October*, 2.

Holland. There are, periodically, great fluctuations in the rate of interest in Holland, *Loyd* 1634.

Huskisson, Mr. Concurrence with certain statements of Mr. Huskisson, relative to the effects of panics, *Morris* 236.

Reference to the views of Mr. Huskisson, as having been in favour of an extended issue by the Bank in time of internal discredit, *Rep. p.* xxvii, xxviii.

I.

Imports of Food. The failure in the harvest and potato crop, and the consequent immense import of grain, were the main causes of the distress in 1847, *Morris* 11, 12; *Palmer* 684; *Gurney* 1098. 1193–1198. 1238–1260: *Loyd* 1349; *Glyn* 1648; *Lister* 2443-2446; *Cotton* 3194. 3247; *Kennedy* 3355; *Anderson* 3569; *Kinnear* 3652——About 9,000,000*l.* in bullion left the country in 1847, in payment for foreign food, *Morris* 12. 541——Impossibility of guarding against a pressure in the first year of a large importation of grain, *Palmer* 1088.

Belief that the estimated cost for the imports of food in 1847 has been greatly exaggerated, *Wylie* 2144——Quantity of corn imported respectively into France and England in 1847; larger quantity of wheat imported into France, *ib.* 2146-2150——In 1847 England imported 3,500,000 quarters of wheat and flour, and 9,000,000 quarters of Indian corn, meal, and the coarser grains, *ib.* 2150——To a certain extent, the imports of corn after a bad harvest promoted the export of manufactures, *ib.* 2151–2157.

Internal Discredit. See *Efflux of Bullion.* *Extent of the Distress.* *Panic.* *Run for Gold.*

Ireland. Amount of the circulation in Ireland, in October last, and in 1846 and 1844, *M'Donnell* 4114. 4116–4118——Amount of the limitation in Ireland under the Act of 1845, *ib.* 4119——There has never been any excess of the limit that was not amply covered by specie, in accordance with the provisions of the Act, *ib.* 4119–4125——As regards the fact of a considerable diminution in the circulation in Ireland in October 1847, as compared with October 1846, the same is attributable to the diminished state of trade consequent on the failure of the potato crop, and to the pressure generally on mercantile transactions in the former year, *ib.* 4173–4181. 4184. 4188——The Act of 1845 does not require security from the banks for their permitted issue, *ib.* 4182.

Bullion either in gold or silver is not imported into Ireland, *M'Donnell* 4195–4197——Under the Act of 1845, no new bank of issue can be created; check hereby to the abuse which formerly prevailed on the part of speculators, *ib.* 4202–4210——The Act of 1845 has not caused any inconvenience in Ireland, and has produced much benefit, *ib.* 4206–4210——Increase of silver in the hands of the public under the Act, *ib.* 4218.

The Act of 1845 did not materially affect banking business in Ireland, *Murray* 4244——It produced the good effect of placing all banks of issue in Ireland on the same footing, *ib.*

Witness delivers in an abstract of the return by the several banks of issue in Ireland under the Act of 1845 (pp. 461, 462); this shows a most extraordinary diminution of issue between October 1845 and the present time, *Murray* 4245–4248. 4278——The certified issue of all the banks in Ireland, upon which the limit under the Act of 1845 was based, was 6,354,000*l.*, *ib.* 4246——The diminution was caused by the utter prostration of trade, and by the fact of there being comparatively nothing to sell, or to be represented by bank notes, *ib.* 4247. 4252, 4253. 4277, 4278——Between 5th December 1846 and 20th May 1848, there has been a diminution in the circulation to the amount of three millions of bank notes, *ib.* 4247, 4248——On 5 December 1845 the circulation was 7,839,000*l.*, and on 20 May 1848, 4,840,000*l.*, *ib.*——Increase since 1846 in the amount of silver in the banks (pp. 461, 462); this is a further diminution of the circulating medium in the hands of the small farmers and lower classes, *ib.* 4248.

Under the Act of 1845, existing banks in Ireland may establish new branches, but

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cannot increase their issue, *Murray* 4261, 4262——Since 1845 there has been no failure of an Irish bank, *ib.* 4263——The small note issues have chiefly decreased, thus showing the pressure upon the lower orders, *ib.* 4266. 4277, 4278——Former excessive issues by Irish banks might have been controlled had the Act of 1845 been in operation, *ib.* 4273——Adequate stock of gold now kept by the Irish banks, though the present amount of issues does not by law require it, *ib.* 4274——With regard to the head offices allowed under the Act of 1845 to the Irish banks, at which to keep their stocks of gold upon which to make any excess of issue, it would be a great inconvenience if there were six such offices instead of four, by the addition of Waterford and Sligo, *ib.* 4279.

Return showing the gold held by the Irish banks in each month since 1845, *Murray's Ev. p.* 461——Return showing the silver held by the banks in each month since 1845, *ib.*

As regards Irish banking the Act of 1845 has not been complained of, *Rep. p.* li.

See also *Bank of Ireland. Extent of the Distress. Provincial Bank of Ireland. Thirty Shilling Notes.*

Issue of Bank Notes. See *Act* 7 *&* 8 *Vict. c.* 32. *Bank of England. Bank of Ireland. Bullion* (*or Specie*). *Circulation. Country Banks. Discretionary Issue. Extension of Issue. Government Interposition. Nottingham Banks. Peel, Sir Robert. Rate of Interest* (*Bank of England*). *Relaxation of Act of* 1844. *Restriction upon Issue.*

Issue Department (*as separated from the Banking Department*). The Bank has practically nothing to do with the Issue Department; the department works itself, *Morris* 26——The management of the Banking Department is and must be kept quite separate from the Issue Department, *ib.* 310, 311. 374. 381-383. 610, 611——Power of the Banking Department to claim notes for gold from the Issue Department, *ib.* 441, 442.

Statement as to the necessity in considering the operation of the Act of not confusing the question by mixing the Banking Department with the Issue Department, *Loyd* 1402, 1403. 1535. 1538, 1539. 1546, 1547. 1555——The Act has only to do with the Issue Department, *ib.* 1535. 1538——The Issue Department is always prepared to pay its notes in gold, *ib.* 1539——Great importance of the separation of the Banking and Issue Departments, *Norman* 2802.

The great defect of the Act of 1844 is the separation of the Bank into two departments; the Circulation and the Banking Departments should be subject to the same control, *Palmer* 698. 868——Impression that the present division of the management of the Issue and Banking Departments has not worked favourably, *Gurney* 1330–1333——Way in which the separation of the Issue from the Banking Department had a most mischievous effect during the late pressure, *Brown* 2258–2260. 2310-2315; *Tooke* 2995, 2996. 3100.

The specie in the Issue Department was useless during the panic, *Brown* 2311. 2376–2378——If the Bank could have used some of the gold lying in the Issue Department the panic would, in a great measure, if not altogether, have been avoided, *Brown* 2312; *Wright* 2943——The separation of the departments diminishes the power of the Bank to let either department benefit by the smaller demand which there may be upon the one or the other, *Tooke* 3053, 3054. 3058.

The course pursued by the Bank in regard to the rate of interest, during the pressure in 1847, would hardly have been taken had not an impression existed that by the separation of the Issue and Banking Departments one inflexible rule for regulating the Bank Issues had been substituted in place of the discretion formerly vested in the Bank, *Rep. p.* iv.

See also *Act* 7 & 8 *Vict. c.* 32. *Bank of England. Bullion* (*or Specie*). *Extension of Issue. Restriction upon Issue.*

J.

Joint Stock Banks. Security of the banking interest in 1847 attributed partly to the extension of joint-stock banks, *Tooke* 2986——Approval of the practice of banking under the Act of 1819, and still more so of the improved practice since the establishment of joint-stock banks, *Anderson* 3634–3638——Peculiar advantages of the joint-stock system of banks, *ib.* 3635——Advantage of retaining the condition as to the publication of the names of bank partners, *ib.* 3639——Concurrently with an issue of 20*s.* notes there should be joint-stock banks, with unlimited liability, *Kinnear* 3797——Witness does not recollect any run upon a chartered or joint-stock bank in Scotland, *Alison* 3957.

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K.

Kennedy, Primrose William. (Analysis of his Evidence.)—Has for some years been manager of the Western Bank in Ayr, 3350——Considers that the Acts of 1844 and 1845 have operated very injuriously to commerce in Scotland, 3351——The restrictive conditions of the Act of 1844 have in periods of pressure aggravated the pressure by increasing the difficulty of realising the securities in which provincial bankers hold their reserves, 3352-3356——The failure in the harvest and the large railway expenditure were the main causes of the distress in the autumn of 1847; 3355.

Expediency of some power of relaxation, if the Act of 1844 be maintained, 3357-3359——System of exchanges between the banks in Scotland; it is similar to the settling at the clearing-house in London, 3360, 3361——Particulars as to the number, character, and wealth of the banks in Scotland, 3362-3366——Responsibility and amount of issues of the Western Bank, 3367-3369.

Effect of the Act of 1845 on the Scotch banks in compelling them to retain in their coffers from 800,000 *l.* to 900,000 *l.* in gold beyond what they previously held, 3370-3374——Absence of a circulation of gold in Scotland, 3375, 3376——Evidence as to the uselessness and disadvantage of the large amount of gold in the Scotch banks under the Act of 1845; 3377-3386. 3407 *et seq.*; 3450-3461. 3465 *et seq.*——Equal pressure from the Scotch banks on the Bank of England since the increased amount of gold in the coffers of the former, 3378-3384. 3415 *et seq.*

Statement showing that the expansions and contractions of the currency in Scotland were within a smaller range previously to 1845 when unrestrained, than they have been under the restrictions then imposed, 3386-3395——Since the Act of 1845 the circulation has been always in excess of the issue allowed to the banks by the Act, 3392-3395——Hardship, as regards issues, in converting the annual averages into monthly averages, it not being allowed to over-issue in any one month, 3396-3403.

Loss to the banks in the issue of notes upon gold, on account of the stamps, &c., 3404. 3411, 3412——The habits of the Scotch are against the circulation of gold instead of notes, 3405. 3413——The limitation of the circulation is more felt in the agricultural than in the commercial districts, 3406——The issue of notes must depend upon the gold in hand, the former not exceeding the latter, 3409, 3410.

Further evidence, to the effect that there has not been, and that there is not likely to be, any diminution of pressure upon the Bank of England by the Scotch banks being compelled to hold a large amount of gold, 3414 *et seq.*——For foreign demands it is found necessary to have the same recourse to the Bank of England as before the Act of 1845; 3415. 3441, 3442——Impracticability of diminishing the internal currency in Scotland, 3417, 3418. 3443-3449.

With one or two exceptions there has never been an internal run for gold upon the Scotch banks; the contingency of any such demand in future is extremely remote, 3418-3437. 3454-3456. 3497-3501——Failure in 1843 of the Renfrewshire and Leith banks adverted to; temporary demand for gold in consequence, 3418. 3454-3463——Explanatory statement of the circumstances under which it is now found necessary by the Scotch banks to hold about 900,000 *l.* in gold over and above the amount held previously to the Act of 1845; 3471 *et seq.*——Proportion of specie, with reference to the circulation kept by the banks previously to 1845, and since that period, 3481-3496——Proportion of specie held by the Ayrshire Bank when witness was at the head of it (before 1845); 3481-3487. 3490-3496. 3502-3506.

Consideration of the effect which would have been produced by an undue excess of issue by the Scotch banks previously to 1845; 3509-3515——The circumstances of the exchanges in Scotland, or between Scotland and England, were sufficient, without any additional provision of gold, to prevent undue issue by the Scotch banks, 3514-3517——Doubt as to the necessity of an increased amount of specie, as provided for by the Act of 1845, having been of any use in the case of the Renfrewshire and Leith banks, 3518-3523.

Explanation of the practice by which balances between bankers in Scotland are settled; excellent working of the Exchequer Bill system of settlement, 3524-3537——The returns made by the banks are made on Saturday; practice hereon, showing that the amount of circulation is accurately given in the returns, 3538-3555——Unlimited confidence of the people of Scotland in their banks, 3556——Great wealth of the banks adverted to, as naturally creating confidence, 3557-3561——There are only three banks in which the responsibility of the partners is limited, 3562-3564——The Act of 1845 was founded upon the average amount of the circulation during the thirteen lunar months previously, when the circulation was considerably less than what it has been since that period, 3565-3567.

Kinnear, John. (Analysis of his Evidence.)—Merchant at Glasgow; is secretary to the Glasgow Chamber of Commerce, 3648-3650——The scarcity of corn, and the large investments in railways, were the chief causes of the distress in 1847; 3652——The distress

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Kinnear, John. (Analysis of his Evidence)—*continued.*

was aggravated by the Acts of 1844 and 1845; 3653-3659——The pressure for money was not so much felt by the mercantile community in Scotland as in England, 3660, 3661——Since 1845 the fluctuations in the rate of interest in Scotland have been very great, but not in consequence directly of the Acts of 1844 or 1845; 3662-3667.

Close connexion between the prosperity of Scotland and the excellence of its banking system, 3668——Perfect public confidence given by the Scotch banks, 3669-3671——Great wealth and responsibility of the banks, 3670——Absence of advantage to Scotland in the restrictions imposed by the Act of 1845; 3671-3673——Serious injury to Scotland if the 1 *l.* notes were withdrawn, 3674, 3675.

The Act of 1845 has caused an increase of from 800,000 *l.* to 900,000 *l.* in the coffers of the Scotch banks, 3676, 3677——This increase of specie does not increase the stability of the banks, and is, in fact, quite useless, 3678-3680——The Bank of England has not been relieved, or, if at all, but very slightly, by the Act of 1845, from a demand for gold on the part of the banks in Scotland, 3681 *et seq.*——Witness is not aware of any material run for gold on the Scotch banks; consideration of statements hereon by Mr. Horsley Palmer in 1832, and by Mr. Blair in 1841, as to gold having been sent from England to Scotland, 3687-3700.

Impracticability of the Scotch banks holding gold in sufficient quantities to meet a run upon them for payment of their notes in gold, 3707-3723——Reasons why the Scotch banks need not hold nearly so large a proportion of its liabilities in specie as the English Banks, 3724-3729——Gold is not required for circulation in Scotland as in England, 3726, 3727——The banks in Scotland at all times hold convertible securities to a much larger amount than banks in England do, 3729, 3730——Sounder practice of banking in Scotland than in England; the Scotch banks do not re-discount their paper, 3730-3732.

Convenience of the system of exchanges between bank and bank in Scotland; the system does not, however, render the circulation of each bank more readily apparent, 3733-3740——The system of exchange of notes in Scotland has been in operation for fifty or sixty years, 3741——The system of paying balances in Exchequer Bills was introduced about ten or fifteen years ago, 3742——Insufficiency at times in Scotland of the circulation allowed by the Act of 1845; 3743-3747.

Evidence relative to the returns made by the Scotch banks every Saturday; belief that these returns give a correct view of the amount of the liabilities of the banks, 3748-3781——The notes of any one bank which are in the hands of another bank are included in the returns as being in circulation; propriety thereof considered, 3748-3781.

Belief that the convertibility of the bank note is a sufficient check against over-issue, 3782-3784——Impression that the issue of notes of a less value than 20*s.* is not expedient, 3785-3791. 3798——Approval of an issue of 20*s.* notes in England as in Scotland, 3792-3796——Concurrently with an issue of 20*s.* notes, there should be the security of joint stock banks of unlimited liability, 3797.

For the purposes of foreign exchanges, the gold in Scotland is not used, recourse being always had to London, whence the gold is forwarded, 3799. 3805-3809——In the event of a run for gold on the Scotch banks, the increased quantity of gold in Scotland, under the Act of 1845, would so far be a relief to the Bank of England, 3800. 3810——Uselessness on the whole of the increased reserve of gold held by the Scotch banks; so far as the interest on this reserve goes, the Act inflicts a dead loss on the banks, 3801-3804; 3827-3836.

The additional sum in gold now held is estimated at from 800,000 *l.* to 900,000 *l.*; 3811, 3812——Reference to Mr. Blair's statement in 1841, as to the Bank of Scotland holding about a fourth of its circulation in notes and gold, 3813-3816——Dissent from Mr. Blair's opinion that banks should keep a third or fourth of their liabilities in notes and gold; a much less proportion of gold than that recommended by Mr. Blair would be amply sufficient for the Scotch banks, 3817-3833.

L.

Lace Trade. Effect of the Act of 1844 in causing inconvenience to houses in the lace manufacture at Nottingham, *Wright* 2920, 2921.

Lancashire. Precarious state of the trade of Lancashire at the present time, in consequence of the great fall in prices, the exhaustion of means, &c., *Wylie* 2127-2130.

See also *Cotton Trade. Manufacturing Districts.*

Landed Interest. Doubt as to the effect generally of the panic of 1847 upon the landed interest and upon the mortgagers of land, *Loyd* 1503-1508.

Legal Tender Clause. Inoperativeness of the legal tender clause during the late panic, *Tooke* 2988——Approval generally of this clause, *ib.* 2989——The clause seems, however,

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ever, to have had the effect of distinguishing the bank note from other species of paper obligations, which distinction witness considers does not hold good, *Tooke* 2989-2993.

Letter of 25th October. See *Treasury Letter of 25th October.*

Light Gold. Since the Government measures for taking in the light gold, there has not been any public disinclination to hold gold; at one period, however, the public did not like to hold it, *Morris* 425. 430——Present practice of the Bank of England in regard to light sovereigns, *ib.* 426-428——The wear and tear of a year will turn the scale against a sovereign, *ib.* 429.

Indisposition at one time of the public to hold gold in consequence of the loss on light gold, *Wright* 2828——The loss on light gold fell chiefly on the poorer classes, *ib.* ——Considerable quantity of gold, as returned to the Bank, which is found to be light, *ib.* 2829, 2830.

Limitation of Discounts. The Committee consider that any attempt to have stopped the panic in the autumn by a limitation of discounts would have been totally unsuccessful, and most injurious, *Rep. p.* xvii——The remedy, in fact, would have been worse than the disease, *ib.*

See also *Bank of England,* 8. *Discounts. Fielden Brothers & Co. Liverpool. Rate of Interest (Bank of England),* 7.

Lister, James. (Analysis of his Evidence.)—Has been manager of the Union Bank of Liverpool since its foundation thirteen years ago, 2438, 2439——Was previously in business in Manchester and Liverpool, 2440, 2441——One main cause of the distress in 1847 was the failure of the harvest and the enormous importations of food consequent thereon, 2443. 2445, 2446——Another leading cause of the distress was the large transfer of capital from business to railways by mercantile men, 2443, 2444——Undue extension of, and great injury to, credit consequent on the imports of food and the railway speculations, 2443-2446.

Conduct by the Liverpool banks of their affairs very much with reference to the operations of the Bank of England, 2447, 2448. 2469-2476——Opinion that the Bank should have raised its rate long before April 1847, inasmuch as an earlier contraction of the circulation would have checked operations and caused a less violent crisis, 2449-2453. 2465-2468. 2530, 2531——A rise in the rate of interest, rather than a diminution of discounts, is the best way of checking the issue of bank-notes, 2451. 2453-2455.

Considerable contraction of bank accommodation in Liverpool during the panic; instances of actual refusal to discount, 2456, 2457. 2477-2486——The higher rate charged by the bank in Liverpool than in London dates from 1844; 2458——Since the Act of 1844 the bank in Liverpool has acted more as private bankers, and has curtailed its facilities to the public, 2459-2461——Sufficiency of the information contained in the published accounts of the Act, 2462-2464——There were evident symptoms, as early as January 1847, that the exchanges would be against this country, 2465, 2466. 2544, 2545.

Decided influence of the bank rate at Liverpool upon the rate out of doors, except when money is extremely plentiful, 2469-2476. 2487-2494——Improbability of the local banks at Liverpool charging as much as eight or nine per cent. interest, had it not been for the bank rate, 2487-2494——Notwithstanding the high rate charged by the Liverpool banks, it was not a profitable time for them, 2488. 2495-2497——Particulars as to the practice of the banks in regard to the bills of exchange drawn from abroad against produce; great fall in prices, which rendered such bills unsound, 2495-2522.

Reference to the bills drawn from abroad against corn, and to the fall in the price of corn which depreciated such bills, 2498-2508——There was a general loss upon all commodities of foreign production on account of the large importations, 2498. 2500. 2509-2511. 2532, 2533——It is probable that the restrictions under the Act of 1844 induced the Bank to contract their issues more suddenly than they would otherwise have thought necessary, 2523-2526——A gradual check to the circulation and to speculation would effect less mischief than a violent check, 2527-2530.

Considerable sacrifice of property in October on account of the necessity of forcing sales at any price, 2534-2539——Failure of many solvent houses, through the difficulty of raising money, 2539-2543——The Bank would have been justified in giving much more accommodation in Liverpool, so far as the solvency of the parties was concerned, 2540——Examination to the effect that without the Act of 1844 the Bank might by indiscretion have placed itself and the public in a worse position eventually, 2544 *et seq.* 2603.

Though the Act secured eight or nine millions of bullion in the Issue Department, the Banking Department was as near a stoppage as possible, 2551 *et seq.*——Danger of a run for gold and of the convertibility of the note if Government had not interfered on 25th October, 2551-2557. 2565-2581——The Act is a step in the right direction, but is imperfect,

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Lister, James. (Analysis of his Evidence)—*continued.*

perfect, 2558. 2563. 2569——Greater confidence in regard to the convertibility of the note on account of the restrictions of the Act, 2573, 2574.

If the Banking Department could not obtain gold from the Issue Department, it must have stopped payment, from the want of a demand for the deposits, 2582–2587——Improbability of the Bank having been able, by realization of securities or otherwise, to have paid off the deposits, if a sudden demand had been made, 2588–2598——Question as to the amount of reserve sufficient for a bank to keep; in ordinary times about one-third should suffice, 2594-2602.

Advantage if the Governor and Deputy-Governor of the Bank were appointed for life, 2604——Suggestion as to the realization by the Bank of its dead weight, in order to increase its available resources, *ib.*——Some power of relaxing the provisions of the Act of 1844 is very desirable, 2605——In the election of the Governor and Deputy-Governor there might be a veto in the Government, 2606——Great loss to the trade and capital of Liverpool generally by the pressure of 1847; 2607, 2608.

Belief that the pressure of 1847 was more severe than the pressures of 1825, 1837, or 1839; 2609 *et seq.*——Particulars as to the number of bankruptcies respectively in 1847 and former years; explanation as to an apparently smaller number in the past year, 2613-2634——Circumstance of there having been greater fluctuations in the price of Exchequer Bills in former years of pressure than in 1847; 2635-2639——Greater fluctuation also in the price of Consols during former pressures than in that of the past year, 2640-2644.

Liverpool. Extensive and important character of the trade of Liverpool; the most important is the import and sale of cotton, *Wylie* 1947–1949. 1953-1956——Opinion that no town in the country has lost so much as Liverpool, and that nowhere is the trade so depressed, in consequence of the pressure and panic of autumn last; particulars hereon, *ib.* 1950, 1951. 2045-2047. 2077, 2078. 2122, 2123——The depression first showed itself in April, but from this there was a rally for some months, *ib.* 1952. 2006——Circumstances under which, in consequence of the Bank Act of 1844, witness's firm suspended its imports subsequently to May 1847; unfortunately, but few other merchants in Liverpool did likewise, *ib.* 2026, 2027. 2031——The pressure caused comparatively few failures, *ib.* 2078. 2105, 2106.

Witness reads a letter, in which he fully concurs, from the manager of one of the Liverpool banks, dated 6 March 1848, commenting upon the effects of the Act of 1844, and upon the excellent result consequent on the Government letter of 25 October, *Wylie* 2080, 2081——The letter also comments upon the practice of the branch of the Bank of England at Liverpool to charge one per cent. higher for discounting bills than the Bank in London charges, *ib.* 2081——Statement showing the increased rate of discount charged by the Branch Bank at Liverpool, in October and November, over and above the London Bank; origin of this practice, *ib.* 2082. 2088–2094——Instances of refusal on the part of the Branch Bank to discount at any rate, *Wylie* 2083. 2095; *Brown* 2317, 2318.

Strong objection to the plan formerly of the Branch Bank in Liverpool, &c., to classify bills and to charge a higher and lower rate of discount, *Wylie* 2088–2094. 2173–2182——Of the total failures in Liverpool, there were but few houses that ought to have failed, *ib.* 2105–2113. 2120, 2121——There were comparatively few failures in the corn trade, *ib.* 2107. 2121. 2138——Effect of the suspension of the Royal Bank of Liverpool adverted to; the management was most discreditable, *ib.* 2114-2119.

A higher rate of interest is charged at the branch of the Bank of England at Liverpool than at the Bank in London, *Brown* 2316. 2319, 2320——It is said that the Bank classifies bills with reference to the rates of interest, *ib.* 2321——Circumstance of witness having been one of a deputation from Liverpool to Government in October last, for the purpose of obtaining for the Liverpool banks a loan in Consols, as a means of obtaining notes; the Bank of England could not make the loan, *ib.* 2351-2353——Much sacrifice of property arose in Liverpool, from the inability of the local banks to give the required recommendation, *ib.* 2353.

Considerable contraction of bank accommodation in Liverpool during the panic; instances of actual refusal to discount, *Lister* 2456, 2457. 2477–2486——The higher rate charged by the bank in Liverpool than in London dates from 1844, *ib.* 2458——Since the Act of 1844, the bank in Liverpool has acted more as private bankers, and has curtailed its facilities to the public, *ib.* 2459-2461——Great loss to the trade and capital of Liverpool generally by the pressure of 1847, *ib.* 2607, 2608.

See also *Banking Interest.* *Cotton Trade.*

Loyd, Samuel Jones. (Analysis of his Evidence.)—Has for the last twenty-six years been engaged in business in London as a banker, 1346, 1347——Considers that the pressures in 1847 were in no way owing to the conduct of the Bank and the management of the circulation, under the Act of 1844; 1349-1352——The pressure in autumn was entirely of a mercantile character, and arose from the failure of the harvest, the enormous diversion

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Loyd, Samuel Jones. (Analysis of his Evidence)—*continued.*

sion of capital from trading purposes to the construction of railways, and the alarm consequent on the numerous failures in the corn and other trades, 1349, 1350.

Reference to the unusually large amount of notes in the hands of the public during the autumn, 1349. 1416——The same pressure would have occurred under a metallic currency, 1349——Belief that the Act of 1844 protected the public in 1847 from the additional evil of the inconvertibility of the bank-note, 1351. 1353. 1406–1409. 1414.

Examination to the effect that the course pursued by the Bank from January to April 1847 was extremely dangerous, viz., that of permitting a constant increase of its advances on securities, whilst there was a continuous drain of its bullion, and a hazardous diminution in the amount of the banking reserve, 1353–1400——Although there was some decrease as regards public securities, there was a considerable increase as regards private securities, 1356–1362——Doubt as to the amount required on deficiency bills in April at all affecting or justifying the procedure of the Bank during the period in question, 1365–1368.

Statement as to there having been a very severe foreign drain upon the gold in the Bank during the earlier months of 1847; 1369–1374. 1384–1387. 1398, 1399——Impracticability of distinguishing accurately the various purposes for which there may be a demand on the Bank for gold, or how far the efflux may be owing to adverse foreign exchanges, 1370. 1379–1383. 1398——The proper rule for the Bank is to look at the amount of bullion in the Issue Department, and to regulate the amount of notes accordingly, 1371. 1375–1383. 1402–1405. 1409. 1471.

The bullion in the Banking Department does not vary much, and is an item of little consequence, 1373——Whether a drain of bullion is for foreign or domestic purposes the Bank should act in the same way, and be equally guided by its reserve, 1375–1383. 1394——A reduction of accommodation by the Bank, although inconvenient, is on many occasions, salutary and beneficial to commerce, 1390–1393——Violent fluctuations in the rate of interest are doubtless very injurious, but are necessary under special circumstances, 1394–1396.

Had there been a second failure of the harvest, the Act of 1844 would have mitigated the evil, on account of the large reserve in bullion which it succeeded in maintaining, 1401——In any consideration of the working of the Act, a complete separation of the Issue and Banking Departments must be kept in mind, 1402, 1403——Though in October the Bank reserve was reduced dangerously low, such result is not any way chargeable to the Act of 1844; 1402–1405. 1414, 1415.

The Act arose out of a feeling on the part of the public, that in 1825, 1837, and 1839, the convertibility of the bank note was in danger, 1406——As regards the store of gold in the Issue Department, the advantages derivable from it are accorded to the public in the shape of bank notes issued for their convenience, 1409. 1440——Particulars as to the amount of bullion in the Issue Department, and in the Banking Department in January 1847; 1410–1412——Distinct statement by Sir Robert Peel, that the Act of 1844 was to leave the Bank of England uninterfered with in its banking capacity, 1414.

Evidence to the effect, that instead of a restricted accommodation in October, the Bank supplied accommodation to an extent almost unprecedented, 1416–1429——As regards the pressure arising from the high rate of interest charged by the Bank, such pressure was not the result of the direct action of the Bank, 1421——Expediency of the Bank concluding that all the notes in the hands of the public are in circulation, although in times of discredit or panic, as in autumn last, the circulation doubtless becomes dormant and less efficient, 1422 *et seq.*

Although the pressure was very severe in 1847, it does not follow that the circulation was inadequate, 1428, 1429——If there had not been a diminished efficiency or contraction of the circulation, the Bank would not have succeeded in maintaining specie payments, 1430. 1435–1439. 1472–1479——Material effect of the Bank reserve upon public opinion, any diminution in it leads to a less efficiency of the circulation, 1431–1434. 1472–1479——The proportion of notes to bullion should be an essential determining circumstance in reference to the question, whether the notes out are in excess or not, 1439.

Less efficiency of a metallic circulation as well as of a paper circulation in time of discredit, 1439, 1440——Under certain extraordinary contingencies, any prospective regulations as to paper or metallic circulation would most probably fail, 1440——Peculiar and exceptional circumstances in 1825, under which the Bank issued about 7,000,000 of notes in lieu of country bankers, 1441–1444——Considerations as to the effect of the state of the foreign exchanges upon the circulation; under an adverse exchange, the aggregate circulation should be contracted, 1443–1452.

Remarks in defence of the Act of 1844, in its not making any difference of action, whether the foreign exchanges are adverse or favourable, or whether a demand for gold be foreign or internal, 1449 *et seq.*——The Act of 1844 merely leaves it to the public to say what quantity of notes they will have by bringing more or less gold to the Issue Department, 1449, 1450. 1461. 1467——If bullion be taken out for internal purposes

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Loyd, Samuel Jones. (Analysis of his Evidence) —*continued.*

it adds so much to the circulation, provided there be no suppression or contraction of notes, 1452 1455.

Further reference to the less efficiency of the circulation in time of discredit, 1454, 1455—— Effect of a diminished efficiency of the circulation to make the foreign exchanges favourable, and by leading to an import of gold to augment the circulation, 1453. 1456–1459. 1468——Propriety of arguing on the principle that gold must come in before notes are issued, 1459–1461——Different causes which produce a foreign demand for gold, as compared with an internal demand, 1463-1466.

A discretionary management of the circulation, previously to 1844, having failed, the Act of 1844 was passed in order to correct proved defects, and to lay down a certain mode of regulating the currency, 1469, 1470——No satisfactory regulation can be founded on the basis of drawing a distinction between an internal and an external drain, 1471——A diminution of the efficiency of the circulation in time of discredit is sure to result under the Act of 1844, and such diminution is a security for the convertibility of the note, 1472-1479.

Necessity of the interposition of Government on 25th October; but for it, the panic would have produced much greater confusion, 1480, 1481. 1499——The intervention of Government was not, strictly, a departure from the principle of the Act, 1482, 1483—— Under the influence of panic, emergencies may occur which no Act can guard against, and which can only be dealt with by the special authority of Government, 1483–1489 ——There are many precedents which justify Government in suspending the provisions of any Act, 1486, 1487.

Possibility under the Act of 1844, of such a contingency as the inconvertibility of the note; the supposition is too remote to be taken as an argument against the Act, 1489–1491——Principle upon which 14,000,000 *l.* was fixed as the surplus amount of notes to be issued by the Bank, 1490, 1491——The enormous reduction in the bullion in 1825 could not have arisen if the Act of 1844 had been in operation, 1492——As regards the interference of Government, it should only take place on the direct authority of Government, and under very extraordinary circumstances of pressure, 1493, 1494.

Impossibility of avoiding occasional periods of pressure and distress, however the circulation may be managed, 1495——Statement that in 1783, in 1793, and in 1825 there existed much greater pressure and distress than in 1847; 1496——The hoarding of gold during panic is not so great as is usually estimated, 1497——The pressure in 1847 would have been perfectly frightful if there had been an apprehension of the credit of the currency, 1498.

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5. *Causes of the Fluctaation*—continued.

circumstances in operation in 1847, which caused greater fluctuation in the rate of interest than was occasional in 1837 or 1839, by the pressures in these years, *Norman* 2712-2720.

Clear connexion between the high rate of interest in 1847, and the Act of 1844, *Wright* 2908-2912. 2955, 2956——The fluctuation was owing almost entirely to the separation of the two departments of the Bank of England, *Tooke* 3010——Belief that but for the Act, the rate of interest would never have been reduced so low as two and a half per cent., *ib.* 3080-3087. 3091.

The causes of the commercial distress generally were the causes of the fluctuation, *Cotton* 3247, 3248——Tendency of larger reserves in the hands of bankers and commercial men to raise the rate, *ib.* 3252, 3253.

The fluctuations in the banking rate of interest in Scotland has been a good deal owing to the operation of the Act of 1844, *Anderson* 3601-3603——Since 1845 the fluctuations in the rate of interest, in Scotland, have been very great, but not in consequence directly of the Acts of 1844 and 1845, *Kinnear* 3662-3667——Process by which the Act of 1844 induces the Bank of England to lower its rate of interest for the sake of pushing its business, *Alison* 3873. 3889. 3910-3917.

The great fluctuations in the rate of discount in 1847, and the previous advance by the Bank of capital at an unusually low rate of interest, may be attributed to the operation of the Act of 1844, *Rep. p.* iv.

6. *Injurious Results of the Fluctuation:*

Undesirableness, generally, of great fluctuations in the interest of money, *Morris* 524——Prejudicial result of the reduction of the Bank rate of interest, in September 1844 and March 1845, during periods of favourable foreign exchanges, *Palmer* 698. 917-920. 933——Aggravation of the distress in the autumn, in consequence of the high rate of interest resulting from the operation of the Act of 1844, *ib.* 756-770.

The Bank of England, in dealing as a private bank and in encouraging transactions by an unduly low rate of interest, decidedly aggravated the pressure in the spring, *Gurney* 1098 *et seq.* 1169. 1171-1176——Reference to the progress of the panic of autumn last, as showing that it was decidedly aggravated by the great advance in the Bank rate of interest, *ib.* 1168. 1183-1200——Material injury caused to legitimate commerce by the great advance in the Bank rate, *ib.* 1169. 1305-1310. 1312.

Anticipated continued prosperity of the commerce of this country, notwithstanding fluctuations in the rate of interest, as violent as in the past year, *Loyd* 1634.

Tendency of the low rate of interest, previously to 1847, to encourage credit and speculation, *Glyn* 1666-1668. 1701, 1702. 1819, 1820. 1915; *Wright* 2955——Opinion that the commercial failures were not the result of the high rate of interest, *Glyn* 1693. 1807-1809——Great mischief resulting from violent fluctuations in the rate of interest, *Wylie* 2127——Violent fluctuations in the rate of interest are the main cause of difficulty and mischief, *Brown* 2270. 2301-2305.

The fluctuation was productive of enormous commercial inconvenience, *Tooke* 3008, 3009——Immense sacrifice of property and capital in the City of London, in consequence of the great fluctuation in the rate in 1847, *ib.* 3134, 3135——Tendency of the Act of 1844 and 1845 in times of prosperity to create speculation, and in times of adversity to cause a contraction of currency ruinous to speculators, *Tooke* 3088-3091; *Alison* 3870-3875——Undue speculation and circulation, followed by a sudden contraction of the currency, are main causes of increased distress and crime, *Alison* 3845, 3846.

The distress was materially aggravated by the fluctuations in the rate of interest, *Rep. p.* iv——Undue stimulus to speculation by a very great reduction in the Bank rate, *ib.* xxxvi, xxxvii.

7. *Explanation as to the High Rate in October, and previously:*

Approval of the high rate of interest charged for the relief given under the Government letter of 25th October, *Morris* 246. 274-277——Examination relative to the rate of discount of the Bank at the period of the issue of the Government letter, *ib.* 443 *et seq.*——Nothing was lent under eight per cent. after Saturday the 23d October, *Morris* and *Prescott* 444——Explanation of the rate of interest charged preceding the Government letter; circumstances under which it was considered proper to charge a certain party nine per cent., *Morris* 445-465.

On the 23d of October the Bank discounts amounted to 225,000*l.*, at rates varying from five and a half to nine per cent., *Morris* 446. 452——In October the Bank were the chief discounters, *ib.* 462. 465——On and after the 25th October, more than eight per cent. was charged for bills not of first quality, *ib.* 466. 467——Subsequently to the issue of the letter, the gradual influx of bullion operated in reducing the rate of interest, *ib.* 516.

Report, 1848—*continued.*

Rate of Interest (*Bank of England*)—continued.

7. *Explanation as to the High Rate in October, and previously*—continued.

The fluctuation in the rate, in 1847, was inevitable; but if the rate had not been greatly raised, there would have been greater distress, *Morris* 519 *et seq.*——Any change in October which was above eight per cent., was in consequence of the bills not being first class, *ib.* 544——Advantage of the gradual rise in the rate of interest, between April and October last, inasmuch as it encouraged the importation of the precious metals, and prevented parties from hoarding, *Cotton* 3220–3226.

8. *Explanation as to the Low Rate in April and preceding Months:*

Large reserve of the Bank on 22d August 1846; low rate of interest then charged, although higher than the market rate, in order to lessen the reserve, *Morris* 497–509——Reference to the reduction of the Bank rate to two and a half per cent. when the market rate was two per cent. *ib.* 512——Reasons for reducing the rate of interest to three per cent. on 29th August 1846, *ib.* 594–600——Reasons for keeping the discount rate very low in 1844 and 1845, *ib.* 606–612.

Explanation and approval of the course adopted by the Bank Directors acting as bankers in regard to the rate of interest during the months preceding April last, *Palmer* 843–859——There was no reason for raising the rate of interest in the last four months of 1846, *ib.* 850–854——Lower rate of interest charged by the Bank than by witness's firm for several months preceding January 1847, *Gurney* 1102–1105.

There was no fair ground for raising the interest earlier than April, *Norman* 2691, 2692——The Bank has never discounted at less than two and a half per cent.; they may have advanced on securities at a lower rate, *ib.* 2783, 2784. 2786.

Fair ground, under the provisions of the Act of 1844, for the great reduction in the Bank rate of interest during several months previously to April 1847, *Tooke* 3050–3052——When the Bank reserve was very high the management did everything in its power to reduce it, *ib.* 3083–3086——Some advances were made by the Bank at a very low rate on long India bills; this was not an uncommon practice, *Cotton* 3202–3205.

9. *Circumstances under which a High Rate is essential:*

Tendency of a higher rate of interest on the part of the Bank than of private discounters to protect the reserve of the Bank, *Morris* 451. 454–461. 493——Effect of a high rate of discount to cause bullion to flow into the country, *ib.* 451. 464——Evidence to the effect that the power and practice of the Bank to raise its rate of discount beyond that of the market rate, and even as high as nine or nine and a half per cent., is most prudent and essential, *ib.* 493, *et seq.*——Approval of the plan of checking the demand by raising the price of the accommodation, *ib.* 519, *et seq.*; 551. 554557.

In the case of a foreign demand for bullion there is no remedy so effectual as raising the rate of interest, *Palmer* 735–740. 784, 785. 793–795——In the case of a home demand there would be no just cause for raising the rate of interest so long as the circulation could be maintained or increased by accommodation being given on good security, *ib.* 740–742. 751–753. 788, 789. 796——When the exchanges are favourable to this country a high rate is unnecessary and injurious, *ib.* 939, *et seq.* 1011–1024.

Any advance in the rate of interest should be gradual, *Gurney* 1267——The protection to the Bank, by raising the interest, is overrated, *ib.* 1311——Necessity of fluctuation in the rate of interest, though a great evil, as a means of correcting the state of the foreign exchanges, *Loyd* 1394–1396; *Glyn* 1703.

A gradual rise in the rate of discount is the best restriction against an over-issue, *Brown* 2269. 2340, 2341——Approval of fluctuation in the Bank rate, according to the value of money, provided only that any change be carefully and gradually made, *ib.* 2340–2349——A rise in the rate of interest, rather than a diminution of discounts, is the best way of checking the issue of Bank notes, *Lister* 2451. 2453–2455——A gradual check to the circulation, and to speculation, would effect less mischief than a violent check, *ib.* 2527–2530.

Unreasonableness of the expectation on the part of persons possessed of securities, that they can at all times obtain loans from the Bank at moderate rates of interest, *Norman* 2746, 2747. 2759, 2760——Expediency, under certain circumstances, of a considerable advance in the rate of interest, *Cotton* 3220–3226——It is better to raise the rate of interest to eight or nine per cent. than to refuse accommodation altogether, *ib.* 3220. 3226. 3234.

10. *Advantage if the Rate had been raised earlier in the Spring:*

Opinion that it would have been more prudent in the Bank if it had put up the rate of discount sooner than it did in the latter part of 1846, *Morris* 601–605——Objectionable working of the Act in September 1844, when the rate of interest was reduced to two-and-a-half per cent., *Palmer* 698. 917–920. 933——If the Bank had commenced a restrictive system much earlier than it did, the difficulties which arose in April would have been greatly mitigated, *Gurney* 1098–1101. 1106; *Tooke* 3051.

Examination

Report, 1848—*continued.*

RATE OF INTEREST (BANK OF ENGLAND)—continued.

10. *Advantage if the Rate had been raised earlier in the Spring*—continued.

Examination to the effect that the course pursued by the Bank from January to April 1847 was extremely dangerous, viz., that of permitting a constant increase of its advances on securities whilst there was a continuous drain of its bullion, and a hazardous diminution in the amount of the banking reserve, *Loyd* 1353-1400——The reduction of the reserve by the middle of April, to 2,500,000*l.*, was unwarranted and unsafe, *ib.* 1353 *et seq.*——Although there was some decrease, as regards public securities, there was a considerable increase as regards private securities, *ib.* 1356-1362——Further reference to the management of the Bank, in the months preceding April, as having been extremely indiscreet, *ib.* 1525-1529.

Less intensity of the pressure in April if the rate of interest had been raised sooner *Norman* 2690——Advantage, in some respects, of a very low Bank rate, *Brown* 2342——Opinion that the Bank should have raised its rate long before April 1847, inasmuch as an earlier contraction would have checked operations, and caused a less violent crisis, *Lister* 2449-2453. 2465-2468. 2530, 2531——There were evident symptoms, as early as January 1847, that the exchanges would be against this country, *ib.* 2465, 2466. 2544, 2545——The chief cause of the mischief in Scotland was, in the first instance, the great lowering of the rate of discount by the Bank of England, and then by the Scotch banks, who always follow in the same wake, *Alison* 3873. 3878-3884.

11. *Considerations as to an uniform Restriction of the Rate:*

If the Bank had discounted at five per cent., in October, they could not long have met the demands upon them, *Morris* 539, 540——Inexpediency of the Bank entering into competition with private bankers and discount brokers; disturbance of the money market if the Bank constantly were to fix its rate of discount on a level with or below the market rate, *ib.* 625-633.

Opinion that if there had been power in April last to extend the issue at a rate of interest not exceeding five per cent. we should have gone through the whole year without any serious infliction upon commerce, *Palmer* 931——Except, in the case of foreign demand, the Bank should never raise its rate of interest beyond five per cent., *ib.* 1010-1029——The Bank should not, at any time, reduce the interest below four per cent., *ib.* 1010——In autumn last the Bank might, with perfect safety, have kept its interest down to five per cent. but for the Act, *Gurney* 1312-1314.

Expediency of allowing the market rate of interest to vary according to the supply and demand rather than of attempting artificially to restrict it through the action of the Bank, *Loyd* 1630-1633.

Suggestion in regard to the rate of interest proper to be charged upon the 3,000,000 *l.* advanced by the Issue Department to the Bank of England on securities; means thereby of keeping the circulation and the rate of interest of the Bank more equable, *Glyn* 1823-1825——Witness would like to see the rate kept between four and five per cent., *ib.* 1824.

A limitation of the rate of the Bank of England to five per cent. throughout the late pressure would not have been of much service, *Brown* 2337-2339. 2344-2346——Danger in making artificial regulations for limiting the rate of interest, *ib.* 2346-2350.

Suggestion by Mr. Wright with a view to some regulation of the Bank rate of discount; proposition that the rate never be less than four per cent., *Ev. p.* 331, 332.

12. *Effect of the Bank Rate on the Market Rate:*

The Bank could not charge a lower rate than the market rate save for a very limited period, *Morris* 494-496. 507——In order that the Bank should retain its discounts it is quite sufficient for it to reduce its rate to the level of the market rate, *Prescott* 508——In ordinary times the Bank has not a larger discount business than the discount brokers and bankers, *Morris* 510, 511——Proof that the Bank does not always regulate the market rate of interest, *Prescott* 511——Action of the Bank upon the money market and the rate of interest, upon the issue of the Government letter of October, *Morris* 514-516.

Necessary fluctuation of the rates of interest, without reference to the action of the Bank, *Palmer* 922——Whether the exchanges are favourable or unfavourable the Bank rate of interest materially affects the market rate, *Palmer* 932; *Gurney* 1108-1114——When the foreign exchanges are unfavourable the rate in the money market is above the Bank rate, and *vice versa*, *Palmer* 932; *Gurney* 1107.

Independently of the action of the Bank the value of money would have been forced up to a considerable extent during the recent distress in the autumn, *Gurney* 1114-1116——During a panic there is no hesitation about paying high rates of interest, on account of the demand for money, *ib.* 1263-1266——Endeavour of witness's firm to keep down the rate of discount to their customers in the autumn, *ib.* 1303, 1304.

As regards the pressure arising from the high rate of interest charged by the Bank, such pressure was not the result of the direct action of the Bank, *Loyd* 1421. 1506. 1509-1512——Argument that the Bank has not the power of regulating the rate of interest, or of exercising any real permanent influence upon it, *ib.* 1634. 1637-1639.

Report, 1848—continued.

Rate of Interest (Bank of England)—continued.

12. *Effect of the Bank Rate on the Market Rate*—continued.

Advantage of the Bank over private discounters, even though it charges only the same rate of interest, *Glyn* 1679-1681. 1685-1688——The Bank, more especially in time of pressure, largely influences the rate of interest in the money market, *ib.* 1708-1711——The private banks in Liverpool determine their rate of discount according to the rate of the Bank of England, *Wylie* 2084-2087.

The mercantile community are very much guided by the Bank rate of interest, *Brown* 2270-2272——Any rise in the rate of interest in England is sure to be followed by a rise in the rate in America, *ib.* 2300. 2323-2326——At certain periods the action of the Bank has but little effect on the money market, *ib.* 2349.

Conduct by the Liverpool banks of their affairs very much with reference to the operations of the Bank of England, *Lister* 2447, 2448. 2469-2476——Decided influence of the Bank rate at Liverpool upon the rate out of doors, except when money is extremely plentiful, *ib.* 2469-2476. 2487-2494——Improbability of the local banks at Liverpool charging as much as nine per cent. interest had it not been for the Bank rate, *ib.* 2487-2494.

Opinion that except for short periods, and under particular circumstances, the Bank cannot exercise any real influence upon the rate of discount in the money market, *Norman* 2985——Power of the Bank to cause a considerable temporary variation in the rate of interest in the money market, *Tooke* 3132, 3133——Evidence to the effect that the Bank may temporarily influence, but does not permanently regulate, the rate of interest in the market, *Cotton* 3213-3219. 3235 *et seq.*

Fluctuation in the rate of interest of the Bank of Ireland in 1846 and 1847 adverted to as necessarily consequent on, and similar to, the fluctuations of the Bank of England, *M'Donnell* 4126, *et seq.*——There are two or three private discount houses in Dublin, *ib.* 4169. 4170——The rate of the Bank of England and the Bank of Ireland doubtless influences the rate in the Dublin money market, *ib.* 4171, 4172.

The rates of interest charged by the Provincial Bank and the Bank of Ireland coincide, and are regulated by the rate of the Bank of England, *Murray* 4236-4239——Necessary and rapid action upon the money market in Ireland, caused by the rate of discounts and state of the money market in England, *ib.* 4254-4260.

See also *America. Bank of England. Bank of France. Branch Banks (Bank of England). Cotton Trade. Efflux of Bullion. Foreign Exchanges. Glasgow. Hamburgh. Holland. Liverpool. Manufacturing Districts.*

Recurrence of Distress. Impossibility of avoiding occasional periods of pressure and distress, however the circulation may be managed, *Loyd*, 1495——Admission that pecuniary crises may occur in which a relaxation of the Act of 1844 would be advisable; views of Sir R. Peel hereon adverted to, *Cotton*, 3284-3286.

Re-discounts. Reference to re-discounts as a system too prevalent in this country, and full of evil, *Wylie* 2190——Sounder practice of banking in Scotland than in England; the Scotch banks do not re-discount their paper, *Kinnear* 3730-3732.

Relaxation of Act of 1844:

1. *Objection to Relaxation with a view to Extended Issue.*
2. *Approval of the introduction of a Relaxing Power.*

1. *Objection to Relaxation with a view to Extended Issue:*

Witness strongly approves of the restrictive clauses of the Act, and objects to any power of relaxing them, save on the special authority of Government, *Morris* 8 *et seq*——Circumstance of witness having declined to join a deputation to Government in April 1847 for the purpose of obtaining a relaxation of the Act, *ib.* 158. 190, 191. 621-623——An emergency like that in question could not under the Act of 1844 be met, save by Government interposition, *ib.* 324.

Relaxation of the Act is very undesirable except under the most extreme necessity, *Loyd* 1559. 1562-1566. 1576. 1578, 1579——The power and responsibility of relaxation should rest exclusively with Government, and should not be vested anywhere by law, *ib.* 1559. 1568-1580——It is impossible to define by Act the circumstances which should justify a relaxation, *ib.* 1561-1566. 1580.

The issue of the Government letter during the pressure in April would have been very injurious, *Norman* 2724-2730. 2748. 2780, 2781. 2799——A relaxing clause would probably have been acted upon in February 1846 and April 1847, and would have produced much mischief, *Cotton* 3166-3168. 3185, 3186. 3295——The question of a relaxing power was fully discussed, and some of the Bank Directors were in favour of it, but the great majority were in favour of the restrictive clause, *ib.* 3179-3184——Although the Government interposition may have been wise in October, it would have been very mischievous in April, *Cotton* 3266-3270. 3295-3279.

2. *Approval*

Report, 1848—*continued.*

Relaxation of Act of 1844—continued.

2. *Approval of the introduction of a Relaxing Power:*

Consideration as to the parties with whom a power of relaxation should rest, whether with the Bank Direction or the Government, *Palmer* 780-782. 862. 866, 867. 869. 874-876——Relaxation is alike essential in the event of foreign demand and internal demand, *ib.* 790-797.

Evidence in favour of a power of relaxing the restrictive provisions of the Act, *Gurney* 1166-1168. 1201 *et seq*——Any discretionary power of relaxation may safely be vested in the Bank Direction, *ib.* 1202. 1205, 1206——It is impossible to define the circumstances under which relaxation thould take place, *ib.* 1203, 1204——Some power of relaxing the provisions of the Act of 1844 is very desirable, *Lister* 2605, *Kennedy* 3357-3359.

A remedy for the difficulties and dangers in the autumn was found in the relaxation of the restrictive clause of the Act, authorised by Government in the letter of 25 October, *Rep. p.* xi——The Committee fully approve of the relaxation as a wise and successful measure, *ib.* xi-xvii.

The precedent of relaxation having been established, and its application sure to be called for in future crises, the Committee recommend specific legislative provision for the manner and responsibility of relaxing the restrictions in question, *Rep. p.* xliv. xlv.

The Committee recommend that the Act of 1844 be continued, accompanied with a discretionary relaxing power, to be exercised only during the existence of a favourable foreign exchange, *Rep. p.* xlv, xlvi.

Considerations as to the authority by which the relaxing power is to be exercised; the preferable plan is to vest the authority in the Bank itself, provided there be an improved constitution of the Bank and of the Bank Direction, *Rep. p.* xlvi-xlviii. l.

See also Act 7 & 8 *Vict. c.* 32. *Discretionary Issue. Extension of Issue. Government Interposition. Peel, Sir Robert. Treasury Letter of 25th October.*

Relief Works, Ireland. Doubts whether the operation of the Relief Works, or of the Act of 1845 in abolishing the fractional notes, has, on the whole, brought more silver into Ireland, *Murray* 4249, 4250.

Renfrewshire and Leith Banks. Failure in 1843 of the Renfrewshire and the Leith Banks adverted to; temporary demand for gold in consequence, *Kennedy* 3418. 3454-3456—— Doubt as to the necessity of an increased amount of specie, as provided by the Act of 1845, having been of any use in the case of these banks, *ib.* 3518-3523——Gradual withdrawal of capital from the Renfrewshire Bank previously to its failure, *Anderson* 3635.

Reserve (Bank of England):

1. *Effect of the State of the Reserve upon the action of the Public.*
2. *Practice generally in regard to the Regulation of the Reserve.*
3. *Amount at different Periods in* 1847, *more especially in October.*
4. *Adequate Means in October for meeting any Demand upon the Bank.*
5. *Inadequacy of these Means; Danger of a Suspension of Payment.*
6. *The Reduced Reserve in October not a consequence of the Act of* 1844.

1. *Effect of the State of the Reserve upon the action of the Public:*

Material effect of the Bank reserve upon public opinion; any diminution in it leads to a less efficiency of the circulation, *Palmer* 860, 861; *Loyd* 1431-1434. 1472-1479—— Evidence as to the effect of the reduced reserve of the Bank in October in creating panic, and in leading to a general practice of hoarding, *Glyn* 1648-1696. 1712-1721. 1920—— Effect of the reserve when low in increasing the desire to obtain notes, *Gurney* 2659—— How far the small reserve of the Bank, and the operation of the Act of 1844, may have caused larger reserves in the hands of the public, *Cotton* 3254-3261.

2. *Practice generally in regard to the Regulation of the Reserve:*

About one-third of the amount of the liabilities is a sufficient reserve, *Morris* 89, 90 ——Different effect of a demand for notes and a demand for bullion upon the Bank reserve, *ib.* 168-170——When the reserve is high the Bank reduce the rate of interest as a means of lowering it, and when the reserve is low raise the rate for the purpose of strengthening it, *Morris* 493-505. 608-612. 620; *Norman* 2713-2717. 2782.——Different modes which may be adopted for regulating the demand upon the Bank with reference to the reserve, *Morris* 548-550.

About one-third of the amount of the issue of notes should be returned in gold, *Palmer* 778——In regard to accommodation to the public the Bank must regulate its conduct entirely by the reserve, *ib.* 946-949——Question as to the amount of reserve sufficient for a Bank to keep; in ordinary times about one-third should suffice, *Lister* 2594-2602——Under certain circumstances of a demand for paper, the Bank might more readily part with its reserve, *Cotton* 3282, 3283.

Report, 1848—*continued.*

RESERVE (*BANK OF ENGLAND*)—continued.

3. *Amount at different Periods in* 1847, *more especially in October:*

Gradual increase in the reserve of notes subsequently to the 17th April 1847, *Morris* 7——The minimum of reserve was on the 30th October, when it had fallen to 1,600,000 *l.*, *ib.* 14. 19——The reserve would have been still lower, but that the Bank sold Consols for money, and bought them again for time, for the purpose of procuring bank notes, *ib.* 16. 18——Amounts respectively of the bankers' balances and of the Bank reserve on 23d October, *ib.* 204——When the reserve was at the lowest, the amount in London was only 825,000 *l.*, and at the branches 780,000 *l.*, *ib.* 207.

Return delivered in, containing particulars of the reserve held by the Bank, October 30th, and Nov. 6th, 1847, *Morris* 431——On the 30th of October, the reserve of notes in London was 568,470 *l.*, of gold coin 151,053 *l.*, and of silver coin, 105,787 *l.*, *ib.*——Amount respectively of the reserve and the deposits on different days in March 1847; the reserve was more than a third, *Palmer* 844. 846.

4. *Adequate Means in October for meeting any Demand upon the Bank:*

Examination to the effect that although there was a large amount of bullion in the Bank in October, the Act of 1844 did not, in separating the Issue and Banking Departments, place the Bank in any danger of suspending its payments, *Morris* 20 *et seq.*——Evidence showing the resources of the Bank at the end of October 1847; belief that they were amply sufficient as a means of meeting all contingencies, and that there was no danger of a suspension of payment, *ib.* 20 *et seq.* 38–51. 77–94——Any danger as to difficulty of payment must first arise at the Bank in London, *ib.* 208, 209——There has never been any distrust as to the safety of the Bank of England, *ib.* 230, 231——Though there was only 568,470 *l.* in notes in the Bank on the 30th October, any large demand, unless it had been very suddenly made, could easily have been met, *ib.* 434–436——Statement showing that the stability of the Bank would not have been endangered by a run on the part of the London bankers, *ib.* 439–442.

5. *Inadequacy of these Means; Danger of a Suspension of Payment:*

Doubt whether the Bank could have increased its reserve by a sale of two millions of Consols in October; great sacrifice must have attended any large sale of Consols or Exchequer Bills as a means of increasing the reserve, *Palmer* 821–823; *Glyn* 1836. 1865, 1866; *Brown* 2398–2400; *Lister* 2588–2598; *Wright* 2946–2948; *Tooke* 3140. 3143——Opinion that had there been a bad harvest last year, the Bank must, under the Act, have stopped payment, or have been in great danger of doing so, *Palmer* 833, 834; *Glyn* 1862, 1863.

Any danger to the Bank occurred in its banking business, *Loyd* 1535——The Bank itself had immense power of increasing its reserve in October by refusing to make further advances, whilst it let its bills run to maturity, and at the same time brought its public securities into the market, *ib.* 1539–1545.

Liability of the Bank to a stoppage of payment, but for the Government letter, *Brown* 2380. 2389–2397——Though the Act secured eight or nine million of bullion in the Issue Department, the Banking Department was as near a stoppage as possible, *Lister* 2551 *et seq.*——If the Banking Department could not obtain gold from the Issue Department, it must have stopped payment in the event of a demand for the deposits, *ib.* 2582–2587.

Witness did not feel any alarm as to the position of the Bank, *Norman* 2704. 2706.

Danger during the late panic of the Bank stopping payment in its banking department, *Wright* 2938–2953——In October last the Bank was in imminent danger of not being able to pay its depositors, *Tooke* 3026, 3027——Evidence opposed to that of the Governor of the Bank, in regard to the resources of the Bank for meeting further pressure at the time of the issue of the Government letter; a recourse to such resources would have produced unprecedented calamity, *ib* 3140–3143.

Opinion that the reserve might easily have been increased by the sale of Consols or railway debentures, *Cotton* 3320, 3321.

Consideration of the state of the reserve at different periods in October, as showing the jeopardy in which the Bank was placed, *Rep. p.* xiii, xiv. xlviii——The Committee consider that but for the letter of 25th October, the consequences might have been ultimately fatal to the Bank, *ib.* xiii–xvii.

6. *The Reduced Reserve in October not a consequence of the Act of* 1844:

The Bank would never have allowed its reserve to fall so low had it not, on the 23d October, received an intimation of the intended issue of the Government letter, relieving them from all responsibility, *Morris* 437–440——Though in October the Bank reserve was reduced dangerously low, such result is not any way chargeable to the Act of 1844, *Loyd* 1402–1405. 1414, 1415. 1539——Doubt as to the provisions of the Act having caused the small reserve in the Bank, *Cotton* 3257–3260.

See also *Bullion* (*or Specie*). *Panic.* *Publication of Bank Accounts.* *Rate of Interest* (*Bank of England*). *Suspension of Payment* (*Bank of England*).

Responsibility. See *Bank of England*, 12. *Divided Responsibility.* *Government Interposition.*

Restriction upon Issue:

1. *Approval of the Restrictions of the Act of* 1844, *and of their Operation during the Pressure in* 1847.
2. *Disapproval of the Restrictive Clauses of the Act; Injurious Consequences resulting therefrom.*

1. *Approval of the Restrictions of the Act of* 1844, *and of their Operation during the Pressure in* 1847:

The failures in 1847 might have been postponed but not prevented, whilst increased distress would have resulted if the Bank had not been limited by the Act of 1844, *Morris* 8–10. 24, 25. 27. 29. 108. 115. 124 *et seq.*——The gradual influx of bullion before the issue of the Government letter would not have taken place if the Act of 1844 had not restricted the circulation; the panic, in fact, could not have been prevented if the Act had not been in operation, *ib.* 132–140——Further approval of the restrictions upon the circulation under the Act of 1844; they lead to a result similar to that effected by an extra issue of notes, *ib.* 177–181. 237, 238——Whether the reserve in the Bank were eight and a half millions or only two millions, and whether the Act of 1844 had been in operation or not, the Bank would have acted in October last with the same restrictions, *ib.* 325-327.

Whether the reserve were eight millions and a half or only two millions, it would not have been wise to have acted differently, *Prescott* 330-333——When the reserve was approaching its minimum the Bank authorities raised the rate of interest, &c., but never entertained the idea of breaking through the Act, *Morris* 351, 352——Approval especially of the restriction that the Bank must not afford relief out of the Issue Department, *ib.* 379-384——If the Bank Direction were a perfect thing, then the restriction as to issues might well be removed; as it is, there is merely a precaution against unwise management, *ib.* 392-394.

A reduction of accommodation by the Bank, although inconvenient, is on many occasions salutary and beneficial to commerce, *Loyd* 1390-1393——A discretionary management of the circulation, previously to 1844, having failed, the Act of that year was passed to correct proved defects, and to lay down a certain mode of regulating the currency, *ib.* 1469, 1470——Principle upon which 14,000,000*l.* was fixed as the surplus amount of notes to be issued by the Bank, *ib.* 1490, 1491——Pressure is necessary as a means of correcting adverse exchanges, *ib.* 1514——Argument that the Act has not placed any restriction upon the Bank or placed any artificial limit on the amount of the circulation, *ib.* 1546.

Necessity under any circumstances of a contraction of issues with reference to the payments for the importation of food, *Norman* 2775-2779——Much greater exhaustion of the treasure in the Bank as well as, or instead of, the reserve, if there had been no contraction in April, *ib.* 2780, 2781.

Approval of the present principle of restricting the issues, *Cotton* 3166 *et seq;* 3263–3265——The Act is a wholesome restriction against the possibility of deviation by the Bank from sound principles of currency, *ib.* 3166-3168. 3185, 3186. 3295.

2. *Disapproval of the Restrictive Clauses of the Act; Injurious Consequences resulting therefrom:*

But for the restrictions under the Act of 1844 there need have been no apprehension in October last, as the Bank then held eight and a half millions of treasure, *Palmer* 705, 706. 784——Witness does not object to the principle of the Act in fixing 14,000,000 *l.* in notes as the issue upon securities, but is strongly opposed to the restriction upon any relaxation of the amount, under special circumstances, *ib.* 779 *et seq.*——In the year 1839, during the pressure from July to December, the Act of 1844 would have prevented the restoration of credit; particulars in explanation of this pressure and its removal, *ib.* 825, 826. 837–842——During December 1825, the Bank could not have carried on its operations if the restrictions of the Act of 1844 had been in force, *ib.* 827-829——As regards the issue of 14,000,000 *l.* in notes upon securities, witness further states his approval of the issue being limited by Act, any extension to be only momentary, *ib.* 879, 880. 884–887——Further objection to the restrictions placed upon the issues of bank notes, *ib.* 1074.

Effect of the restrictions of the Currency Act of 1844 in compelling the Bank suddenly to contract its accommodation, thereby causing serious derangement of the money market, and much disaster, *Gurney* 1098 *et seq.*——The principle of the Act in regard to a restricted issue is good, but the practice is dangerous, *ib.* 1201. 1207, 1208——The restriction endangers rather than secures the convertibility of the note, *Gurney* 1229–1233——Witness was at first favourable to the restriction of the issue to fourteen millions, but experience has shown him that the limit is too low, *ib.* 1234–1237——Under adverse circumstances any limitation in the amount of accommodation should be gradual, *ib.* 1267.

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RESTRICTION UPON ISSUE—continued.

2. *Disapproval of the Restrictive Clauses of the Act, &c.*—continued.

Under the Act of 1844 the Bank had not the wherewithal to make further advances to the public had they been applied for, *Glyn* 1723, 1724. 1916-1920——Considerations as to the action of the Bank in 1825 and 1847 respectively; deduction (as drawn from the advantage of the liberal issue and accommodation in the former year) unfavourable to the restriction under the Act of 1844, *ib.* 1728-1733. 1757-1767——Until the pressure in 1847, witness was in favour of the Bank Direction being relieved from the management of the circulation, but he now considers that the experiment has decidedly failed, *ib.* 1813-1817——The fourteen-million clause of the Act of 1844 should, in fact, be repealed, *ib.* 1878——The knowledge of the restriction to fourteen million was in fact the cause of the panic in 1847, *ib.* 1906, 1907.

It is probable that the restrictions under the Act induced the Bank to contract their issues more suddenly than they would otherwise have thought necessary, *Lister* 2523-2526——Any unalterable limitation of the currency is a great evil, *Gurney* 2663——Convertibility is a sufficient restriction against over-issues, *Tooke* 3119. 3137; *Anderson* 3604, 3605. 3641. 3647; *Kinnear* 3782-3784——The restrictions in the Acts of 1844 and 1845 are unnecessary and injurious, *Anderson* 3571 *et seq.*; *Kinnear* 3678 *et seq.*——Importance of the repeal of the restrictive clauses of the Acts of 1844 and 1845, *Anderson* 3633. 3640, 3641——As far as regards the restriction of the paper currency, the Act of 1844 is altogether founded upon a wrong principle, *ib.* 3574, 3575.

The legislative restriction imposed on the means of accommodation, whilst a large amount of bullion was held in the coffers of the Bank, was an aggravation of the panic and distress, *Rep. p.* iv *et seq.* xliv——The Committee consider that the authority given in the letter of 25th October to relax the restriction was most wise, and that the restriction would otherwise have been most ruinous, *ib.* x-xvii——A similar restriction whether the circulation be efficient or inefficient is altogether unsound, and in 1847 was most injurious, *ib.* xvii-xxi——The Committee adduce sundry grounds for the conclusion that a restriction in time of internal discredit, unaccompanied by an unfavourable foreign exchange, is most inexpedient, *ib.* xxv *et seq.*——Further reference to the impolicy of an inflexible rule under varying circumstances, *ib.* xliv.

See also *Act* 7 & 8 *Vict. c.* 32. *Bullion (or Specie).* *Circulation.* *Country Banks.* *Discretionary Issue.* *Efflux of Bullion.* *Extension of Issue.* *Glasgow.* *Government Interposition.* *Ireland.* *Liverpool.* *Peel, Sir Robert.* *Rate of Interest (Bank of England).* *Relaxation of Act of* 1844. *Scotland,* 7. *Suspension of Payment (Bank of England).*

Run for Gold. Remarks on the large internal demand for gold in the autumn at the same time that it continued to come in from abroad, *Morris* 137-140. 147-149——Causes which give rise to an internal demand for gold, *ib.* 290. 293——Causes of internal demand which were in operation during the distress in the earlier part of 1847, *Morris and Prescott* 296-298.

Doubt whether under the Act the Bank would be in a better position to meet a run for gold than if the Act were not in existence, *Gurney* 1276-1289; *Brown* 2314. 2368-2382——A demand for gold arising from panic is worse than a demand for exportation, *Gurney* 1286——A run for gold was sufficiently guarded against by the operation of the Act, *Loyd* 1516.

Notwithstanding the reserve of eight or nine millions in the Issue Department in October last, a sudden withdrawal of the private deposits in the Bank might have occasioned a run for gold upon the notes, *Glyn* 1857-1864——Danger of a run for gold and of the convertibility of the note if Government had not interfered on the 25th October, *Lister* 2551-2557. 2565-2581.

There was no symptom of a run for gold in October, *Norman* 2698, 2699——Belief that but for the Act there would have been a run for gold and a currency discredit in addition to the late commercial distress, *Cotton* 3169, 3170.

See also *Bullion (or Specie).* *Convertibility of Bank Note.* *Efflux of Bullion.* *Scotland,* 4.

S.

Sale of Securities (Bank of England). Probability of a considerable reduction in the amount of the deposits if the Bank had sold securities to the extent of two millions or so, *Morris* 212-221——Disapproval of the sale of securities as a means of guarding the reserve, *ib.* 552-557——It is extremely difficult in times of panic to sell any securities but Consols, *ib.* 557.

Belief that the Bank could not by sales of securities have met any sudden demand, *Palmer* 707, 708. 717——In time of credit the Bank could without difficulty or injury sell a certain proportion of stock, *ib.* 820——It would have been most injurious for the Bank

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Sale of Securities (*Bank of England*)—continued.

to have sold Consols to any large amount, even if they could have done so at all, *Palmer* 821, 822; *Glyn* 1836. 1865, 1866; *Brown* 2398, 2399; *Lister* 2588-2598; *Wright* 2946-2948; *Tooke* 3140. 3443——Necessity of the power of the Bank to sell stock and convert its securities into notes, *Glyn* 1805, 1806.

Belief that Consols as well as railway debentures might have been converted in autumn last without much loss, *Cotton* 3320. 3321.

The Committee coincide in the view that at the height of the distress Consols could not have been sold by the Bank save at an enormous loss, *Rep. p.* xiii–xvii.

See also *Consols.*

Scotland:

1. *Number, Character, &c., of the Scotch Banks.*
2. *Weekly Returns made by the Banks.*
3. *Comparative Exemption of Scotland from Pressure.*
4. *Rare demand for Gold for Circulation.*
5. *Increase of Gold in the Banks under the Act of* 1845.
6. *Uselessness and Disadvantage of such Increase.*
7. *Injurious Operation generally of the Acts of* 1844 *and* 1845.
8. *Evidence on the part of the Bank of England.*

1. *Number, Character, &c., of the Scotch Banks:*

Particulars as to the character and wealth of the banks in Scotland, of which there are eighteen, *Kennedy* 3362-3666——There are now no private banks in Scotland, *Kennedy* 3364, 3464; *Alison* 3958——Unlimited confidence of the people in the banks, *Kennedy* 3556, 3669-3671——Great wealth of the banks adverted to as naturally creating confidence, *Kennedy* 3557-3561; *Anderson* 3579, 3580——There are only three banks in which the responsibility of the partners is limited, *Kennedy* 3562-3564.

Close connexion between the prosperity of Scotland and the excellence of the banking system, *Kinnear* 3668——Great wealth and responsibility of the banks, *ib.* 3670——The banks in Scotland at all times hold convertible securities to a much larger amount than in England *ib.* 3729, 3730——Sounder practice of banking in Scotland than in England, *ib.* 3730-3732.

2. *Weekly Returns made by the Banks:*

The returns made by the banks are made on Saturday; practice hereon, showing that the amount of circulation is accurately given in the returns, *Kennedy* 3538-3555——Explanation relative to the weekly returns made by the Scotch banks; belief that these returns give a correct view of the amount of the liabilities of the banks, *Kinnear* 3748-3781——The notes of any one bank which are in the hands of another bank are included in the returns as being in circulation; propriety thereof considered, *ib.* 3748-3781.

3. *Comparative Exemption of Scotland from Pressure:*

Doubt as to the causes to which the comparative exemption of Scotland from suffering during the late panic is attributable; the banks by their management may have warded off some of the general distress, *Palmer* 1081-1087——The pressure for money was not so much felt by the mercantile community in Scotland as in England, *Kinnear* 3660, 3661.

4. *Rare demand for Gold for Circulation:*

Absence of a circulation of gold in Scotland, *Kennedy* 3375, 3376; *Kinnear* 3726, 3727——The habits of the Scotch are against the circulation of gold instead of notes, *Kennedy* 3405. 3413——With one or two exceptions, there has never been an internal run for gold upon the Scotch banks; the contingency of any such demand in future is extremely remote, *ib.* 3418-3437, 3454-3456. 3497-3501.

There has scarcely ever been a run for gold on the Scotch banks, *Anderson* 3582-3585——There has been no increased circulation of gold in Scotland since the Act of 1845, *ib.* 3594——Absence of pressure from Scotland on the Bank of England for gold, *ib.* 3642-3646——Witness is not aware of any material run for gold on the Scotch banks; consideration of statements hereon by Mr. Horsley Palmer in 1832, and by Mr. Blair in 1841, as to gold having been sent from England to Scotland, *Kinnear* 3687-3700——Reason why the Scotch banks need not hold nearly so large a proportion of its liabilities in specie as the English banks, *ib.* 3724-3729.

The facility of conversion into specie of the securities of the Scotch banks, and the great wealth of those banks, are an ample security against a run for gold, *Alison* 3933-3936. 3960——There has never been any material run on the Scotch banks for gold; reference hereon to a run upon one or two private banks, *ib.* 3939. 3955, 3956.

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SCOTLAND—continued.

5. *Increase of Gold in the Banks under the Act of* 1845:

Effect of the Act of 1845 on the Scotch banks in compelling them to retain in their coffers from eight to nine hundred thousand pounds in gold beyond what they previously held, *Kennedy* 3370-3374——Explanatory statement of the circumstances under which it is now found necessary by the Scotch banks to hold about 900,000 *l.* in gold over and above the amount held previously to the Act of 1845, *ib.* 3471 *et seq.*——The specie now held in Scotland varies from 1,100,000 *l.* to 1,200,000 *l.*, *ib.* 3488.

The Act of 1845 caused an increase of eight to nine hundred thousand pounds in the coffers of the Scotch banks, *Kinnear* 3676, 3677. 3811, 3812——Remarks on the much larger amount kept by the Scotch banks in reserve in specie since the Acts of 1844 and 1845, *Alison* 3873-3878.

6. *Uselessness and Disadvantage of such Increase:*

Evidence as to the uselessness and disadvantage of the large amount of gold in the Scotch banks under the Act of 1845, *Kennedy* 3377-3386. 3407 *et seq.* 3450-3461. 3465 *et seq.*——There has not been, and there is not likely to be, any diminution of pressure upon the Bank of England by the Scotch banks being compelled to hold a large amount of gold, *ib.* 3378-3384. 3414 *et seq.*——Loss to the banks in the issue of notes upon gold, on account of the stamps, &c., *ib.* 3404. 3411, 3412.

For foreign demands it is found necessary to have the same recourse to the Bank of England as before the Act of 1845, *Kennedy* 3415. 3441, 3442; *Kinnear* 3799. 3805-3809——The Act of 1845, whilst it has compelled the retention of an additional sum of about 900,000 *l.* in gold in the Scotch banks, has not in anyway lessened the pressure from Scotland on the Bank of England, *Anderson* 3586-3593.

The increase of specie does not increase the stability of the banks, and is in fact quite useless, *Kinnear* 3678-3680——The Bank of England has not been relieved, or, if at all, but very slightly, by the Act of 1845 from a demand for gold on the part of the banks in Scotland, *ib.* 3681 *et seq.*——Impracticability of the Scotch banks holding gold in sufficient quantities to meet a run upon them for payment of their notes in gold, *ib.* 3707-3723——In the event of a run for gold on the Scotch banks the increased quantity of gold in Scotland under the Act of 1845 would so far be a relief to the Bank of England, *ib.* 3800. 3810——Uselessness, on the whole, of the increased reserve of gold; so far as the interest on this reserve goes, the Act inflicts a dead loss on the banks, *ib.* 3801-3804. 3827-3836.

The obligation upon the Scotch banks to keep more gold in reserve has not added in the slightest degree to their security, either in point of fact or in public opinion, *Alison* 3927. 3931-3934. 3943-3961——Grounds for the conclusion that in the event of a general pressure there would be just as great a demand for gold by the Scotch banks upon the Bank of England as when those banks had only three or four hundred thousand pounds in specie instead of about twelve hundred thousand pounds, *ib.* 3935-3970——Necessity of the banks retaining the increased amount of bullion in order to keep their notes in the hands of the public, *ib.* 3941-3943. 3951-9954——In the event of any extensive panic in Scotland or general run for payment of deposits in gold the increased reserve would practically be useless as a means of staying the evil, *ib.* 3959-3970.

Disapproval of the necessity imposed on the Scotch banks of keeping an unnecessarily large amount of capital in gold, *Rep. p.* l, li.

7. *Injurious Operation generally of the Acts of* 1844 *and* 1845:

Witness considers that the Acts of 1844 and 1855 have operated very injuriously to commerce in Scotland, *Kennedy* 3351——Statements showing that the expansions and contractions of the currency in Scotland were within a smaller range previously to 1845, when unrestrained, than they have been under the restrictions then imposed, *ib.* 3386-3395——Since the Act of 1845 the circulation has been always in excess of the issue allowed to the banks by the Act, *ib.* 3392-3395——Hardship, as regards issues, in converting the annual averages into monthly averages, it not being allowed to over-issue in any one month, *ib.* 3396-3403——The issue of notes must depend upon the gold in hand, the former not exceeding the latter, *ib.* 3409, 3410.

Impracticability of diminishing the internal currency in Scotland, *Kennedy* 3417, 3418. 3443-3449——Proportion of specie with reference to the circulation kept by the banks previously to 1845 and since that period, *ib.* 3481-3496——Consideration of the effect which would have been produced by an undue excess of issue by the Scotch banks previously to 1845, *ib.* 3509-3575——The Act of 1845 was founded upon the average amount of the circulation during the thirteen lunar months previously, when the circulation was considerably less than what it has been since that period, *ib.* 3565-3567.

The distress in Scotland when at its crisis was much aggravated by the Bank Charter Acts of 1844 and 1845, *Anderson* 3570——Sufficient check upon an over-issue without legislative

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7. *Injurious Operation generally of the Acts of* 1844 *and* 1855—continued.

legislative restriction; the circulation in fact restricts itself, *Anderson* 3576-3578——The circulation authorised by the Act has very generally been exceeded, particularly in the months of May and November, *ib.* 3595-3600.

Absence of advantage to Scotland in the restrictions imposed by the Act of 1845, *Kinnear* 3671-3673——Insufficiency at times in Scotland of the circulation allowed by the Act of 1845, *ib.* 3743-3747.

Manner in which the Acts of 1844 and 1845 encourage wanton issues of paper accommodation by the Scotch Banks, *Alison* 3912-3917. 3927-3930——In consequence of the increased reserve in specie the banks push their business so as to cover any expense such reserve may entail, *ib.* 3912-3917. 3927-3930——Prior to the Act of 1844 there was not a dissentient voice in Scotland in regard to the currency system, *ib.* 3918, 3919. ——At Whitsuntide and Martinmas there is a great expansion of the circulation in Scotland, and at these periods the currency under the present system is altogether inadequate, *ib.* 3920-3923.

Consideration of the general working of the Act as regards Scotland; conclusion adverse thereto, *Rep. p.* l, li.——Reference to the system between bank and bank in Scotland for the regular exchange of their notes as a guarantee against any undue issue by separate banking establishments, *ib.* li.

8. *Evidence on the part of the Bank of England:*

Statement as to a considerable quantity of gold having left the Bank for Scotland during the pressure in autumn 1847, *Morris* and *Prescott* 139, 140——Some Scotch banks applied for accommodation from the Bank of England in October last, *Morris* 634.

Absence hitherto of inconvenience to the Bank of England on account of any demand from the Scotch or Irish banks, *Morris* 3979. 3995. 4012——Requirement by the Bank of a greater or less store of bullion according as there might be a less or greater store in Scotland or Ireland, *ib.* 3980-3983. 3988. 4014, 4015. 4085-4089——Doubt as to there having been any particular demand for gold in Scotland at any time previously to the Act of 1845, *ib.* 3984-3987. 4074, 4075——Recourse would naturally be had by the Scotch banks to their own reserves of gold before applying to the Bank of England, *ib.* 3988, 3989. 3993-3997. 4020-4022. 4035-4042. 4104, 4105.

Doubt as to the Scotch banks carrying on any foreign transactions, *Morris* 3989—— Great increase since 1845 in the store of gold in Scotland, *ib.* 3991. 4013——Under the Act of 1845 the Scotch banks are less likely, in the event of a run upon them for gold, to realise their securities in London and draw gold from the Bank of England than they were under the former system, *ib.* 3993-3997. 4001-4008. 4020-4022——Circumstance of the Scotch banks having been obliged, in 1837 and 1839, to realise securities in London, and most probably to obtain gold from the Bank, *ib.* 3997. 4001-4004. 4098, 4099.

Means of the Scotch banks for getting gold from the Bank of England; there is nothing unfair therein to the bank; *Morris* 3998. 4004-4008——Effect of any demand from Scotland on the Bank of England during a time of general pressure, *ib.* 3999, 4000 ——Probability of the greater part of the gold in the Scotch banks being kept entirely as a reserve against the extra issue of notes, *ib.* 3992. 4018, 4019——If the bullion which left the Bank for Scotland on account of the Act of 1845 had not so left it, the Bank would most probably have reduced their reserve, as being unnecessarily large, by reducing the rate of interest, *ib.* 4012-4016. 4085-4089.

Evidence in support of the view that the obligation on the Scotch banks not to issue beyond a limited amount, except upon bullion, is a great security against an over-issue or a depreciation of the circulation, *Morris* 4020-4036——Witness is not acquainted with the details of Scotch banking, and supports the Act of 1845 on general principles, *ib.* 4029-4034. 4073-4076. 4094. 4096. 4100, 4101——Grounds for the conclusion that the additional reserve of eight or nine hundred thousand pounds in the Scotch banks since 1845, relieved the Bank of England from some pressure in 1847, *ib.* 4035-4038. 4090-4105——Remarks on the contraction of the circulation in Scotland at different periods of the year; use to be made of the increase and stock of bullion in the event of the increased issue of notes not being needed, *ib.* 4035, 4036. 4049-4053. 4065-4072.

See also *Blair, Mr. Exchanges* (*Scotch Banks*). *Glasgow. Renfrewshire, and Leith Banks.*

Securities (*Bank of England*). Importance of a considerable portion of the securities held by the Bank being easily convertible, *Morris* 395, 396——Explanation as to the large amount (2,418,000 *l.*) invested by the Bank in railway securities in the years 1844-1847, *ib.* 396-409——Approval of limited investments in railway debentures; they are preferable to mortgages upon land, *ib.* 396-413——The Bank never make any advance on foreign securities, *ib.* 417, 418.

Grounds upon which the Bank invested largely in railway debentures between 1842 and 1846, *Palmer* 1050-1056——Approval of the large advance made by the Bank upon

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Securities (*Bank of England*)—continued.

mortgages of landed estates, *Palmer* 1054——In the autumn of 1847 railway debentures were nearly inconvertible, *ib.* 1071——The large amount of securities which cannot be realised in time of exigency without an immense sacrifice, is also a bar to the proper action of the Bank when accommodation is most needed, *Brown* 2218-2221. 2376-2378 ——Railway debentures, as part of the securities of the Bank, could not in time of exigency, be realised without a very great sacrifice, *ib.* 2221.

The Bank has, within the last few years, invested largely in railway debentures; this was well known to the general public, and did not add undue credit to railway securities, *Cotton* 3205-3212——Approval of the purchase of railway debentures by the Bank, *ib.* 3318-3320——The Bank first purchased railway debentures in 1842, *ib.* 3318—— The Act of 1844 rather induced the Bank not to increase its investment in railway securities, *ib.*——Witness considers first class railway debentures to be very good and convertible securities, *ib.* 3318-3320.

Exception taken by the Committee to the large investments of the Bank in railway debentures, *Rep. p.* xxxvi.

Separation of the Issue and Banking Departments. The merits of the Act of 1844 were really first tested in 1847, but the system of the Act, as regards the separation of the Issue and Banking Departments, had been adopted since 1840, *Morris* 30-37.

See also *Bank of England*, 10.

Silver. Availableness of silver as a means for the convertibility of the note, *Morris* 342 ——The limitation as to keeping only one-fifth of the amount of bullion in silver is too restricted, *ib.* 342——There is no merchandize that will sell easier than silver, *ib.*—— The silver coinage is of little use in paying demands upon the Bank, *ib.* 432, 433.

Approval, in a certain state of the silver market, of the Bank remitting silver to the Continent and drawing against it, *Palmer* 773, 774——Remarks in favour of a power in the Bank to hold an increased proportion of its bullion in silver, *Palmer* 775-778; *Gurney* 1290-1298; *Glyn* 1826-1833——Further statement as to the inconvenience of the restriction, under the Act of 1844, as to the Bank holding only one-fifth part of its bullion in silver; the power to hold a larger quantity would afford greater facilities for the correction of an unfavourable foreign exchange, *Palmer* 985-1006——General marketability of silver, save as regards the United States, *ib.* 986, 987. 1000. 1004-1006.

Loss of from 50,000 *l.* to 70,000 *l.* sustained in 1832 by the export of silver in bars, for which purpose coin was melted, *Palmer* 988-991——Inability of the Bank to purchase silver save when the exchanges are in favour of this country, *ib.* 992-996——Gold and silver are equal in their power of correcting the foreign exchanges, *ib.* 998. 1002—— Marketable character at all times of silver on the Continent, *Gurney* 1296-1298—— Great convenience of silver for foreign exchanges, *Glyn* 1828-1831——There is no reason why the Bank might not advance upon silver, without any limit, *ib.* 1827-1833.

If the Bank were allowed to hold an increased proportion of silver it might be very useful in correcting foreign exchanges, *Brown* 2383-2388——Silver is quite as applicable as gold to correct the exchanges, *Tooke* 3153——It would be better if there were no restriction in regard to the proportion of silver held by the Bank, *Cotton* 3314-3317—— Question as to the advantage of paying in silver to the amount of 5 *l.*, *Anderson* 3632.

Objections to a proposition for making silver coin a legal tender to the amount of 5 *l.*; it would be paying in a depreciated currency, *Morris* 4054-4064. 4076-4084.

Citation of evidence as to the impolicy of the limitation of the amount of silver by the Act of 1844; entire concurrence therein, *Rep. p.* xli-xliii.

See also *Bullion* (*or Specie*). *Ireland.*

Solvent Houses. The panic doubtless inflicted serious losses on several solvent houses, *Loyd* 1606, 1607; *Glyn* 1743——Of the houses which failed in London, there were but few really solvent, *Glyn* 1700. 1913; *Norman* 2763——Failure of many solvent houses at Liverpool through the difficulty of raising money, *Lister* 2539-2543——The Bank would have been justified in giving much more accommodation in Liverpool so far as the solvency of the parties was concerned, *ib.* 2540——The failures in 1847 were mainly of houses carrying on a speculative trade, on a system of over-credit; very few solvent houses failed, *Cotton* 3192-3200. 3225. 3226. 3250.

Specie. See *Bullion* (*or Specie*).

Speculation. The commercial suffering in 1847 was enhanced by the prevailing system of speculation and over-trading, *Morris* 544, 545——Except in the import of corn there has not been any special or material speculation in trade, *Palmer* 897——No banking system can prevent the effect of over-trading and rash speculation, *ib.* 1089——Belief that during the past year there was not any great amount of over-trading, and that in consequence of it but few houses have fallen, *ib.* 1090-1092.

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The low rate of interest previously to 1847 was the main cause of the speculations which took place, *Glyn* 1666–1668. 1701, 1702. 1819, 1820. 1915; *Wright* 2955——Many speculations, undertaken in reason, have turned out ruinous through the contraction of the Bank accommodation, *Wylie* 2130. 2138. 2143——Over-trading was one cause of the pressure, *Norman* 2681——Stimulus to undue speculation in consequence of the low rate of interest; the collapse was thus the more violent, *Tooke* 3088–3091; *Alison* 3845, 3846. 3870–3875.

Unprecedented character of the speculation and over-trading in 1847, *Cotton* 3194——The reduction of the Bank rate of interest to two-and-a-half per cent. followed the market rate, which was only two per cent., and did not encourage speculation, *ib.* 3201.

The effect of a low rate of interest could not fail to give a great additional stimulus to speculation, *Rep.* p. xxxvi, xxxvii——Reference to the immense speculations which have gone on since 1844, notwithstanding the Act of 7 & 8 Vict. c. 32., *ib.* xlvi.

See also *Credit. Railway Speculation.*

Suspension Act of 1797. Explanation that in a few months after the Suspension Act in 1797 the Bank were perfectly prepared to resume cash payments, *Tooke* 3029, 3030.

Suspension of Payment (Bank of England):

1. *Adequate Resources of the Bank for guarding against a Suspension in October.*
2. *Inadequacy of such Resources; Danger of Suspension but for the Letter of Government.*

1. *Adequate Resources of the Bank for guarding against a Suspension in October:*

Particulars as to the amount of the Bank reserve in October, with reference to the question of danger of suspension of payment, *Morris* 14. 19. 204. 207. 431. 437–440——Examination to the effect that although there was a large amount of bullion in the Bank in October, the Act of 1844 did not, in separating the Issue and Banking Departments, place the Bank in any danger of suspending its payments, *ib.* 20 *et seq.*——Evidence showing the resources of the Bank at the end of October 1847; belief that they were amply sufficient as a means of meeting all contingencies, and that there was no danger of a suspension of payment, *ib.* 20, *et seq.* 38–51. 77–94.

Any danger as to difficulty of payment must first arise at the Bank in London, *Morris* 208, 209——There has never been any distrust as to the safety of the Bank of England, *ib.* 230, 231——Though there was only 568,740 *l.* in notes in the Bank on the 30th October, any large demand, unless it had been very suddenly made, could easily have been met, *ib.* 434–436——Statement showing that the stability of the Bank would not have been endangered by a run on the part of the London bankers, *ib.* 439–442.

Any danger to the Bank occurred in its banking business, *Loyd* 1535——The Bank had sundry available resources in October for warding off a suspension of payment, *ib.* 1539–1545——Witness did not feel any alarm as to the position of the Bank, *Norman* 2704. 2706——Belief that it was quite practicable to have increased the reserve by selling consols or railway securities, *Cotton* 3320, 3321.

2. *Inadequacy of such Resources; Danger of Suspension but for the Letter of Government:*

Statement to the effect that through the operation of the Act of 1844, the Bank was placed in such a position in October 1847, that it was in danger of stopping, so small was its reserve in proportion to its liabilities, *Palmer* 698–712——Power of the London bankers at this period to have placed the Bank in danger by withdrawing their balances, *ib.* 704——During the late panic any attempt to sell so much as two millions worth of stock would have been impracticable, or at least would have sent consols down to sixty or lower, *ib.* 821, 822——Nevertheless some such operation would have been necessary but for the Government letter, *ib.* 823.

Opinion that had there been a bad harvest last year, the Bank must, under the Act, have stopped payment, or have been in great danger of doing so, *Palmer* 833, 834; *Glyn* 1862, 1863——Doubt whether the stock market would have borne the sudden sale of two millions of securities during the panic, *Glyn* 1836. 1865, 1866; *Brown* 2398, 2399; *Lister* 2588–2598——Any attempt to realise securities in order to pay off their deposits would have been attended with fearful sacrifice, *Brown* 2398–2400; *Wright* 2946–2948——Liability of the Bank to a stoppage of payment but for the Government letter, *Brown* 2380. 2389–2397.

Though the Act secured eight or nine millions of bullion in the Issue Department, the Banking Department was as near a stoppage as possible, *Lister* 2551, *et seq.*——If the Banking Department could not obtain gold from the Issue Department, it must have stopped payment in the event of a demand for the deposits, *ib.* 2582–2587.

Report, 1848—*continued.*

Suspension of Payment (*Bank of England*)—continued.

2. *Inadequacy of such Resources; &c.*—continued.

Danger during the late panic of the Bank stopping payment in its Banking Department, *Wright* 2938-2953——In October last the Bank was in imminent danger of not being able to pay its depositors, *Tooke* 3026, 3027——Evidence opposed to that of the Governor of the Bank in regard to the resources of the Bank for meeting further pressure at the time of the issue of the Government letter; a recourse to such resources would have produce unprecedented calamity, *ib.* 3140-3143.

The Committee adduce certain evidence and grounds for the conclusion that in October the ability of the Bank to pay its deposits was in great jeopardy, *Rep. p.* xiii-xvii. xlviii——The Committee consider that any attempt by the Bank in October to have sold two millions of consols would have been most detrimental, even supposing it to have been possible, *ib.* xiii-xvii——The Committee consider that but for the letter of 25 October, the consequences might have been ultimately fatal to the Bank, *ib.*

See also *Bullion* (*or Specie*). *Convertibility of Bank Note.* *Deficiency Bills.*
Deposits (*Bank of England*). *Reserve* (*Bank of England*), 3, 4, 5.

T.

Thirty-Shilling Notes. On the withdrawal of the thirty-shilling notes in Ireland, the Bank imported a considerable quantity of silver and half-sovereigns, *M'Donnell* 4199. 4213, 4214—— There has been no inconvenience in Ireland in consequence of the abolition of the fractional notes, *Murray* 4250, 4251.

Thornton, Henry. Reference to certain remarks by Mr. Henry Thornton as to the proper course to be pursued by the Bank of England in time of internal discredit, *Morris* 247-249.

Views of Mr. Thornton adverted to as being strongly in favour of extended issues by the Bank during periods of internal discredit, *Rep. p.* xxvi.

Tooke, Thomas. (Analysis of his Evidence.)—Has been connected with business in London above fifty years; and as governor of the Royal Exchange Assurance Corporation, and chairman of the St. Katharine Dock Company, has had considerable experience in commercial matters, 2975-2980——The pressure in 1847 was far more severe than any pressure since 1825; 2981——In 1825 the discredit and failure of country banks and the general derangement of the country circulation were much greater than in 1847; causes of this, 2982-2987.

Greater probability of a run upon the banks in time of panic on the part of holders of 1 *l.* notes than of 5 *l.* notes, 2983-2985——Inoperativeness of the legal tender clause during the late panic, 2988——Approval generally of this clause, 2989——The clause seems, however, to have had the effect of distinguishing the bank note from other species of paper obligations, which distinction witness considers does not hold good, 2989-2993——Advantage of the power of the Bank in 1825 to use its treasures indiscriminately, 2994.

Grounds for the conclusion that the separation of the Issue Department from the Banking Department greatly aggravated the causes of the distress in 1847; 2995, 2996. 3010——Alarm consequent on the publication of the reserve, 2996——Shorter duration and less intensity of the pressure in April than in the autumn, 2996, 2997——In April the exchanges were unfavourable, and a most violent effort was necessary to stop the efflux of bullion, which went chiefly to America, 2997. 3004, 3005.

Favourable state of the foreign exchanges in October, and for some time previously, 2998-3003——The diminution in the Bank bullion from July to October was owing to an internal drain, 3003——Greatter fluctuation in the rate of discount than in 1837 or 1839, or any previous year, 3006, 3037——This fluctuation was productive of enormous commercial inconvenience, 3008, 3009. It was owing almost entirely to the separation of the two departments of the Bank of England, 3010.

The convertibility of the bank note is doubtless of essential importance, 3011. 3031, 3032——Opinion that during the pressure in 1847, the Act of 1844 was not essential for and did not contribute to the convertibility of the note, 3012-3016. 3033, *et seq.*—— There was no discredit attached to the bank note in 1837 or 1839; 3015-3017. 3035, 3036——In 1825, the Bank was in imminent peril, and the convertibility of the note was in some danger, but there was no discredit of the note in the public mind, 3015-3023.

The Bank has other obligations as important, and in fact more so than the convertibility of the note, 3024, 3025. 3028——In October last, the Bank was in imminent danger of not being able to pay its depositors, 3026, 3027——Explanation that in a few months after the Suspension Act in 1797, the Bank were perfectly prepared to resume cash payments, 3029, 3030——In time of pressure, as in 1839, any circumstance endangering

Report, 1848—*continued.*

Tooke, Thomas. (Analysis of his Evidence)—*continued.*

gering the convertibility of the note would not of necessity seriously add to the difficulty, 3033-3039. 3045-3047.

Belief that if the Bank had free control over the Issue Department in 1847 the amount of bullion would not at any time have been reduced below seven or eight millions, 3039-3043. 3074. If the bullion in the Bank had gone to seven millions, or even to five millions, there need not and would not have been any cause for apprehension, 3039-3043——In 1839, and also in 1840 and 1841, the bullion was reduced to an imprudently low amount, 3044, 3045.

Deficiency imputed to the Bank management in its having conducted its business with too low an average amount of treasure, 3045. 3048——Absence of any security under the Act of 1844 against an undue reduction of the treasure held by the Bank, 3047-3049——Fair ground, under the provisions of the Act of 1844, for the great reduction in the Bank rate of interest during several months previously to April 1847; 3050-3052——The rate should have been raised earlier, 3051.

Further evidence to the effect that there is no security for the maintenance of the banking reserve, which would not equally apply if the Bank were responsible for the whole of its liabilities, 3052, *et seq.*——The separation of the departments diminishes the power of the Bank to let either department benefit by the smaller demand which there may be upon the one than the other, 3053, 3054. 3058——The Act of 1844 provides an apparent security for that part of its liabilities which is least subject to fluctuation, 3060-3066. 3157——At the same time it leaves totally unguarded that part of its liabilities which is subject to great fluctuation, 3060. 3157, 3158.

The inflexibility of the Act of 1844, which was considered its chief recommendation, was virtually abrogated by the Government letter of 25th October, 3064-3071. If there were a power in the Bank to suspend the law, such suspension would have taken place earlier than it did, and with much greater advantage, 3072, 3073——Belief that the Act had nothing to do with the comparatively large amount of bullion in the possession of the Bank at the commencement of the drain, 3074-3086.

The bullion in the Issue Department is subject to deduction to the extent of the amount of notes in the Banking Department, 3076. Previously to 1844, the term "circulation" applied to those notes only in the hands of the public, 3077-3079——When the Bank reserve was very high, the management did everything in its power to reduce it, 3083-3086——Belief that but for the Act the rate of interest would never have been reduced so low as two and a half per cent., 3083. 3087. 3091——Stimulus to undue speculation in consequence of the low rate of interest; the collapse was thus the more violent, 3088-3091.

Absence of power in the Bank to extend the amount of the circulation in the hands of the public, 3092-3097. 3105. 3115. 3118——Any regulation of the amount of notes by the amount of bullion rests entirely on a false basis, 3094-3105——There is no coincidence between the amount of accommodation given by the Bank and the amount of notes in the hands of the public, 3098-3102. 3127——Way in which a violent restriction of banking accommodation and paper circulation checks the efflux of bullion, 3106-3114——Grounds for the conclusion that there cannot be a forcible extension of the paper circulation, ending in an exportation of the precious metals, 3115-3131.

The convertibility of the note is itself a sufficient security against over-issue, 3119. 3137——During speculative periods or rising prices there is no greater demand on the Bank for an increased issue, though there may be increased transactions, 3120-3127——The Bank has not in fact, by an increase of issues, any action upon unfavourable foreign exchanges or upon prices, 3123-3131——Circumstance of witness having formerly been of the erroneous opinion that the Bank had a direct power over the amount of circulation, and thence an influence on prices; he has since been led to conclude that bank notes are simply the effect and not the causes of transactions, 3128-3131.

Power of the Bank to cause a considerable temporary variation in the rate of interest in the money market, 3132, 3133——Immense sacrifice of property and capital in the City of London in consequence of the great fluctuation in the rate in 1847; 3134, 3135——Inconsistency in not restricting the Bank in its Banking Department as well as its Issue Department, 3136——Equal reason for a guarantee in regard to the other obligations of the Bank as in regard to its notes, *ib.*——If there were no restriction upon the issue the convertibility of the note must depend on the solvency of the Bank, 3137-3139.

Evidence opposed to that of the Governor of the Bank in regard to the resources of the Bank for meeting further pressure at the time of the issue of the Government letter; a recourse to such resources would have produced unprecedented calamity, 3140-3143——It would have been very injurious for the Bank to have sold consols to any large amount, even if they could have done so at all, 3140. 3143——The publication of the Bank accounts creates alarm and panic, without any corresponding advantage, 3144, 3145.

Expediency of leaving the circulation in the hands of the Bank direction without any legislative control or check, 3146-3155——Some arrangement might be made so that the

Report, 1848—*continued.*

Tooke, Thomas. (Analysis of his Evidence)—*continued.*

Bank should hold an average of not less than 10,000,000 *l.* in bullion, including silver, 3149-3153. 3156——Inasmuch as the amount of the liabilities is no test of the proper amount of bullion to be held, there need be no restriction as to the proportion between the paper and the gold, 3150——In the event of the amount of bullion being reduced below ten millions, the Bank might be required to notify the same to Government, who should not, however, practically interfere in the matter, 3150-3155.

Treasury Letter of 25th October:

1. *Increased Accommodation by the Bank in consequence of the Letter.*
2. *Beneficial Operation of the Letter upon the Public Mind.*
3. *Question as to the Expediency of an earlier Issue of the Letter.*
4. *How far the Letter may be considered an Abrogation of the Act.*
5. *Doubt whether the Letter was really a wise Measure.*
6. *Conclusions of the Committee; strong Approval of the Letter.*

1. *Increased Accommodation by the Bank in consequence of the Letter:*

Immense demand on the Bank for accommodation at the time of the issue of the Government letter on 25 October, *Morris* 12, 13——Small reserve of notes and coins previously to the issue of the Government letter; still smaller reserve in consequence of the letter, *ib.* 13-15. 29——Increased accommodation given to the public in consequence of the letter, the issue of which removed the responsibility from the Bank authorities, *ib.* 13. 17, 18. 28.

2. *Beneficial Operation of the Letter upon the Public Mind:*

The alarm was at its height just before the issue of the Government letter, and appeared to cease immediately after its issue, *Morris* 197, 198——The withdrawal on the 25 October of the restrictive clauses of the Act of 1844 immediately relieved the pressure and restored confidence, *Palmer* 684——Striking effect of the Treasury letter of 25 October; it restored public confidence, and rendered money comparatively easy, *Gurney* 1120-1123. 1127-1131——Necessity for the interposition of Government on 25 October; but for it the panic would have produced much greater confusion, *Loyd* 1480, 1481. 1499. 1515. 1517-1519.

The Government letter in removing the restriction of the Act of 1844 removed also the panic and the evil, *Glyn* 1734-1739——Result of the confidence consequent on the letter that the public at once discovered they had more notes than they required, *Gurney* 2645-2656; *Wright* 2827. 2834, 2835——Beneficial effect of the letter in its restoration of confidence through the certainty that accommodation might be obtained, *Norman* 2693. 2711, 2732——Effect of the letter in increasing the actual circulation and the Bank deposits, *Cotton* 3262.

3. *Question as to the Expediency of an earlier Issue of the Letter:*

If the Government letter had been issued a month earlier it would have greatly mitigated the pressure, *Gurney* 1199-1201——If the letter had been issued sooner the temporary relief given would have been followed by greater evil, *Loyd* 1520——Strong approval of the Government letter; its issue a month sooner would have been still more boneficial, *Brown* 2354, 2355.

4. *How far the Letter may be considered an Abrogation of the Act:*

The intervention of Government was not strictly a departure from the principle of the Act, *Loyd* 1482, 1483——There was no increased issue under the letter of 25 October, it not being found necessary, *ib.* 1501, 1502——Opinion that no discredit attaches to the Act of 1844 in consequence of the necessity of Government interposition, *ib.* 1554-1558.

The letter virtually condemned and annulled the Act, and in future pressure the public are the more likely to expect relaxation, *Brown* 2056-2061——To a certain extent the interference of Government was a departure from the principle of the Act of 1844, *Norman* 2746——The inflexibility of the Act of 1844, which was considered its chief recommendation, was virtually abrogated by the Government letter, *Tooke* 3064-3071.

The Committee consider that the letter virtually annulled the Act of 1844, *Rep. p.* xi ——The Committee cannot recognise the distinction sought to be laid down by Mr. Loyd, namely, that although the letter was a departure from the positive provisions of the Act, it was not a departure from the principle of the Act, *ib.*

5. *Doubt whether the Letter was really a wise Measure:*

The Government letter was not in any way asked for by the Bank, *Morris* 39-41. 192-194. 199——Policy of the letter considered; public confidence, though first restored by the letter, would in a short time have been equally restored without it, *ib.* 52-57. 129-131. 162-167——The Bank were not necessarily bound to act upon the letter, *ib.* 278——Circumstance of a deputation of the London bankers having waited upon the Government just before the issue of the letter, *Morris* and *Prescott*, 200, 201——Witness

never

Treasury Letter of 25th October—continued.

5. *Doubt whether the Letter was really a wise Measure*—continued.

never heard that the letter was issued in consequence of the bankers having stated that otherwise they would withdraw their deposits from the Bank, *Morris* 202, 203.

The letter would have been a most dangerous measure if it had not placed restriction on the rate of interest, *Loyd* 1608, 1609——The panic might perhaps have ceased equally soon without the Government letter, *Norman* 2696, 2697. 2723——It is with some difficulty that witness admits the issue of the letter to have been proper, *ib.* 2723——Danger to the convertibility of the note by the letter, *ib.* 2748.

The letter was, if anything, issued too soon, *Cotton* 3186-3188. 3294——Witness would have preferred that the letter had not been issued till there was more serious cause for it, *ib.* 3189. 3194——Objection to the letter on the ground, mainly, that it may be considered a precedent to be acted upon in future, *ib.* 3291. 3296.

6. *Conclusions of the Committee; strong Approval of the Letter*:

The difficulties and dangers in the autumn were clearly such as to require a remedy prompt, decisive, and effectual, *Rep. p.* x——Such remedy was sought and found in a departure from the restrictive principles of the Act of 1844, authorised by a letter from the First Lord of the Treasury and the Chancellor of the Exchequer, dated 25 October, *ib.*——Copy of this letter, *ib.*——The step thus taken by Her Majesty's Government was a wise and successful measure, *ib.* xi.

Though there was no extended issue under the letter, the effect of the letter was not the less powerful and beneficial, *Rep. p.* xi. xiii——The immediate and effectual relief which was given by the letter was equally felt in the provinces and the metropolis, *ib.* xii——Consideration of the statement by the Governor and Deputy-governor of the Bank that the letter might have been dispensed with, *ib.* xiii-xvii.

The absolute necessity of the letter was its sole justification, *Rep. p.* xiii——Proof that the letter was necessary, and that, without it, the consequences would probably have been ruinous, both to public and private credit, and ultimately fatal to the Bank itself, *ib.* xiii-xvii.

Further references to the wisdom of the letter, as contra-distinguished from the impolicy of the restrictions of the Act, *Rep. p.* xliv.

See also *Government Interposition*. *Liverpool*.

Two-fold Currency. One of the plans recommended by witness, in lieu of the present currency system, would be to establish a two-fold currency; one comprising a system of one pound notes, especially for domestic purposes, and the other comprising a system of bullion notes, for the settlement of the exchanges, *Wright* 2966.

U.

Union Bank of Scotland. The circulation allowed to the Union Bank of Scotland by the Act of 1845 is 327,000 *l.*, *Anderson* 3581.

United States. See *America*.

Usury Laws. Beneficial effect upon the money market of the repeal of the Usury Laws, *Morris* 575, 576.

W.

Want of Capital. Distinction between a want of loan of capital and a want of notes for circulation, *Palmer* 943-945——Pressure and a high rate of interest, caused by want of sufficient capital, cannot be relieved by an extra issue of bank notes, *Loyd* 1514——Witness attributes the distress among the manufacturing interest to the want of capital, *ib.* 1584-1596. 1602-1607——The want of capital, which arose from bad harvests, &c., was the cause of the high rate of interest and the monetary distress generally, *ib.* 1596. 1602-1604——It was not a want of capital, but a want of circulation, that caused the distress, *Wright* 2917-2923.

West India Trade. The West Indian houses failed through special circumstances, not connected with the operation of the Act of 1844, *Wylie* 2121. 2134. 2140.

Western Bank of Scotland. Responsibility and amount of issues of the Western Bank at Ayr, *Kennedy* 3367-3369.

Wright, Ichabod Charles. (Analysis of his Evidence.)—Banker, for nearly thirty years, at Nottingham, 2804, 2805——Witness's firm, after having issued notes for nearly a hundred years, ceased to do so in 1837, by an arrangement with the Bank of England, 2806, 2807——The branch of the Bank of England at Leicester had nothing to do with the cessation of issue by witness's firm, 2808-2810——There are four other banks in Nottingham, all of which are banks of issue, 2811. 2825.

Report, 1848—*continued.*

Wright, Ichabod Charles. (Analysis of his Evidence)—*continued.*

Effect of the Act of 1844 in restricting the circulation of the local banks of issue, 2812, 2813. 2858——Inconvenience, to a limited extent, in consequence of the restriction, 2814. 2859-2862——Belief that country banks have not the power to keep out their notes at their option, 2814, 2815. 2837-2843. 2861——When 1*l.* notes were in circulation, it was, in practice, found possible by country bankers to keep out their notes permanently, 2816-2819. 2837-2839——Circumstance of there having been more gold in Nottingham of late months than was convenient as a mode of payment, 2820-2823.

During the pressure in autumn last the Nottingham bankers naturally increased their reserves of gold and notes, 2824-2826. 2831-2833. 2836.——On the mitigation of the panic, consequently on Government interposition, the reserves in the banks were proportionably reduced, 2827. 2834, 2835——Indisposition of the public to hold gold in consequence of the loss on light gold, 2828——The loss in light gold fell chiefly on the poorer classes, *ib.*——Considerable quantity of gold as returned to the Bank, which is found to be light, 2829, 2830.

There is no competing issue with the Bank of England which prevents them from issuing out their notes, as in the case of country bankers, 2844-2846——On the whole, witness is unfavourable to the clauses in the Act of 1844, respecting the issues of country bankers, 2847-2862——Effect as regards the circulation, of country banks during the late pressure if the Act of 1844 had not been in operation 2850-2857.

Particulars of the special agreement between witness's firm and the Bank of England, under which the former agreed to stop the issue of its own notes, and to circulate the Bank notes, 2863-2874. 2882——The agreement was terminated by the Bank under the Act of 1844, and the advantages possessed by the firm unfairly withdrawn, 2863. 2873, 2874——The terms upon which witness's bank now circulate the notes of the Bank of England are to pay four per cent. for the amount of their former circulation, namely, 50,000 *l.*, and to receive one per cent. on the same amount, 2873-2883. 2961-2964.

Unfairness to country bankers in the withdrawal of advantages held out to them before and during the passing of the Act, 2873-2892——Quotation by Mr. Charles Wood, during the debate on the Bill of 1844, of certain evidence given by witness before a Select Committee in 1840; comment on Mr. Wood's speech on this occasion, 2881. 2884-2887——Witness's bank would never have given up its issues if it could have foreseen the effect of the Act, 2890. 2892.

Proportionably increased reserve necessary when a bank has liabilities in the form of issues as well as deposits, 2893, 2894——In time of pressure, in the case of country banks, it depends entirely on circumstances whether there is a greater demand for deposits, or for the return of specie on notes in circulation, 2895-2897——A pressure involving a very high rate of interest, as in autumn last, affects the deposits and not the circulation, 2897-2907——Clear connexion between the high rate of interest in 1847, and the Act of 1844; 2908-2912. 2955, 2956——The panic was in the main caused by the Act, 2909-2912.

Evidence as to the injurious effect of the Act in its principle of contracting the paper circulation accordingly as gold is exported, 2910, *et seq.*——Way in which the Act, in contracting the circulation, compelled manufacturers to force sales at ruinous prices, 2912——Formerly the Bank allowed its bullion to flow out, but since 1844 an influx of gold is obtained by a most injurious process, 2912. 2919——Extent of the circulation in 1847 adverted to; its contraction consisted in its non-efficiency, and not in any reduction of its amount, 2913-2916. 2927-2935——It was not a want of capital, but of circulation, that caused the distress, 2917-2923.

Necessary refusal by witness's bank in 1847 to discount to the extent demanded of them, 2920-2923——During a panic a largely increased circulation is required; the actual amount of the circulation being no criterion of the wants of the country, 2929-2935——The power of an increased issue would have restored confidence and made the circulation more active, 2930-2935——As regards the convertibility of the note, the welfare of the country must not be sacrificed to prevent its being endangered, 2936, 2937.

Danger, during the late panic, of the Bank stopping payment in its Banking Department, 2938-2953——If the Bank could have issued some of the gold lying in the Issue Department, the panic would in a great measure, if not altogether, have been avoided, 2943——Great sacrifice must have attended any large sale of Consols or Exchequer Bills, 2946-2948——The publication of the Bank reserve was a main cause of the increased panic, 2950.

Under the Act of 1844 the Bank acts stringently or otherwise according to the state of the reserve, and with a view to their own profits, 2954-2956——Injurious effect of the fluctuation in the rate of interest upon the manufacturing community, 2957-2960——The panic did not affect the facility of the supply of bank notes to witness's firm, 2965.

Report, 1848—*continued.*

Wright, Ichabod Charles. (Analysis of his Evidence)—*continued.*

As an amendment to the Act of 1844 witness suggests the extension of the gold basis by the substitution of 1 *l.* notes for the gold in circulation, 2966-2974——Another plan, in lieu of the present currency system, would be to establish a twofold currency, one comprising a system of 1 *l.* notes, especially for domestic purposes, and the other comprising a system of bullion notes, for the settlement of the exchanges, 2966.

(In a note to the foregoing evidence witness further elucidates his views upon the question of amendment of the currency system, *pp.* 331, 332.)

Wylie, Alexander Henry. (Analysis of his Evidence.)—Merchant at Liverpool and New Orleans; is engaged more especially in the cotton trade, 1944-1946—— Extensive and important character of the trade of Liverpool; the most important business is the import and sale of cotton, 1947-1949. 1953-1956——Opinion that no town in the country has lost so much as Liverpool, and that nowhere is trade so depressed in consequence of the pressure and panic in autumn last, 1950, 1951——The depression first showed itself in April; but from this there was a rally for some months, 1952. 2006.

In regard to the price of cotton the importer at Liverpool and the consumer at Manchester may be considered antagonistic, 1953, 1954. 1962——The great bulk of the cotton received in Liverpool is imported either on account of the Liverpool merchant or of the American merchant or planter, 1956——The transactions between the Liverpool merchant and the consumer are carried on through a broker whose interest in the matter is his commission on the sale, 1958-1961.

Periods of the year in which the import and consumption of cotton respectively take place, 1963-1965——Practice in regard to the payments as made between the importer and the producer, and between the consumer and the importer, 1966-1974. 1985, 1986——Return of the number of bales of cotton in different parts of Europe on 31st December in each of the years 1845-47; 1975——Immense decrease in the stock of cotton in this country since 1845; 1975, 1976—— Seven-eighths of the stock are in Liverpool, 1976——Particulars as to the weight of the several bales, 1977-1980. 1987.

Proportion of cotton imported respectively from the United States, East Indies, Brazil, &c., in 1846; 1983——The import from the United States is about four times as much as that from all other countries, 1983. 1986——Great diminution in the imports since the year 1845, whilst at the same time the export of raw cotton from Liverpool has greatly increased, 1988, 1989. 1991——Effect of the unremunerating character of the import trade in leading to the diminution of the amount imported, 1990.

Considerable rise in the price of cotton towards the end of 1846, in consequence of the consumption having annually increased, 1992. 2004, 2005—— Remunerative character of the trade, both to the spinner and the manufacturer in 1844 and 1845, and consequent undue extension of mills and machinery, 1993-2000—— Reference to the stocks of cotton, and to the price per pound, in Liverpool, on 3d March in each of the years 1844-48; 2000, 2001—— The stock at present is smaller than it has been since 1840; it is about the same as in that year, and yet the price is 2 *d.* per pound less, 2000. 2041-2044——Evil anticipated from the prospective want of raw cotton in this country, 2002, 2003. 2014. 2036.

The temporary fall in the price of cotton in April 1847, and the more serious fall in September and following months, is attributable to the panic in the money market, and the pressure upon the merchants to realise at any price, 2006-2009. 2015-2022. 2048-2052——Equally injurious effect of the pressure upon the manufacturer as upon the importer, 2009-2014——Immense fall in the price of yarn in 1847, more especially towards the close of the year, 2021-2024—— Circumstances under which, in consequence of the Bank Act of 1844, witness's firm suspended its imports subsequently to May 1847; unfortunately but few other merchants in Liverpool did likewise, 2026, 2027. 2031.

Amount of the American cotton crop in each of the years 1845-47; the crop in 1847 was very small, 2028-2030——Considerable export of raw cotton from this country in autumn last, at extremely low prices, 2032-2034——Very injurious effect of the alterations and depression on the cotton trade upon the operatives, 2035——Evidence as to the prejudicial effect upon the trade, of a continuance of low prices for the raw material; injurious check thereby to the cultivation of cotton in the United States, 2036-2040. 2053-2057——Further particulars relative to the price in former years, and at the present time, with reference to the amount of stock, 2041-2044. 2058-2076.

Witness estimates the loss to the merchants of Liverpool by the fall in the price of cotton, during the last four months of 1847, at one million and a half sterling, 2045-2047——Great sacrifices experienced in the trade of Liverpool, generally during the late pressure, 2046, 2047. 2077, 2078. 2122, 2123——The almost instantaneous pressure in September and October was attributable to the almost total cessation of all banking facilities, and accommodation, 2048-2051——The low rate of interest in 1845 and 1846 was the primary cause of the undue extension of the cotton trade in those years, 2052.

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of 1847 will tell injuriously upon the trade and revenue of the country, 2079, 2080. 2127-2129.

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Y.

Yarn. Immense fall in the price of yarn in 1847, more especially towards the close of the year, *Wylie* 2021-2024.

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REPORT

FROM THE

SELECT COMMITTEE

ON

CONTRACTS FOR PUBLIC DEPARTMENTS;

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

MINUTES OF EVIDENCE,

APPENDIX AND INDEX.

Ordered, by The House of Commons, *to be Printed,*
9 *March* 1857.

Martis, 10° *die Februarii*, 1857.

Ordered, That a Select Committee be appointed to inquire into the Principle adopted for making Contracts for the Supply of the Public Departments, and the Effect which the present System has upon the Expenditure of Public Money.

Jovis, 19° *die Februarii*, 1857.

Ordered, That the Committee do consist of Seventeen Members; viz.

Colonel Dunne.	Mr. Otway.
Mr. Muntz.	Mr. Stafford.
Mr. Peel.	Colonel Boldero.
Captain Laffan.	Mr. Corry.
Sir Charles Napier.	Mr. Liddell.
Mr. Thomas Mitchell.	Colonel Gilpin.
Mr. Moffatt.	Mr. Lloyd Davies.
Mr. Tite.	Colonel Lindsay.

Ordered, That the Committee have power to send for Persons, Papers, and Records.

Ordered, That Five be the Quorum of the Committee.

Lunæ, 23° *die Februarii*, 1857.

Minutes of the Evidence taken before the Select Committee of last Session referred to the Committee.

Lunæ, 2° *die Martii*, 1857.

Ordered, That the Committee do consist of Nineteen Members.

Viscount Goderich and Mr. MacGregor added to the Committee.

Mercurii, 4° *die Martii*, 1857.

Mr. *Monsell* added to the Committee.

Lunæ, 9° *die Martii*, 1857.

Ordered, That the Committee have power to Report the Minutes of Evidence taken before them to The House.

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REPORT.

THE SELECT COMMITTEE appointed to inquire into the Principle adopted for making CONTRACTS for the Supply of the PUBLIC DEPARTMENTS, and the Effect which the present System has upon the EXPENDITURE of PUBLIC MONEY; and who were empowered to Report the MINUTES of EVIDENCE taken before them:—

HAVE considered the matters to them referred, and have agreed to Report the MINUTES of EVIDENCE taken before them to The House.

9 *March* 1857.

PROCEEDINGS OF THE COMMITTEE.

Lunæ, 23° *die Februarii*, 1857.

MEMBERS PRESENT:

Colonel Dunne.	Mr. Corry.
Mr. Peel.	Mr. Liddell.
Captain Laffan.	Colonel Gilpin.
Mr. Moffatt.	Mr. Stafford.
Mr. Tite.	Sir C. Napier.
Mr. Otway.	

Colonel DUNNE was called to the Chair.

Committee deliberated.

Resolved, THAT the Chairman do move The House, that the Minutes of Evidence taken before the Select Committee last Session be referred to the Committee.

[Adjourned to Friday, at Twelve o'clock.

Veneris, 27° *die Februarii*, 1857.

MEMBERS PRESENT:

Colonel DUNNE in the Chair.

Sir C. Napier.	Mr. E. Peel.
Mr. Otway.	Mr. Stafford.
Mr. Tite.	Mr. Liddell.
Mr Moffatt.	Colonel Boldero.

Thomas Howell, Esq., examined.

[Adjourned to Tuesday, at Twelve o'clock.

Martis, 3° *die Martii*, 1857.

MEMBERS PRESENT:

Colonel DUNNE in the Chair.

Mr. Otway.	Mr. Liddell.
Mr. Moffatt.	Mr. Corry.
Mr. Stafford.	Mr. Tite.
Colonel Boldero.	Mr. MacGregor.
Mr. Peel.	Sir C. Napier.

Mr. *John Robert Godley*, Mr. *Richard Eaton*, Mr. C. *S. Elliot*, and Mr. *Charles Eaton*, examined.

[Adjourned to Friday, at Twelve o'clock.

Veneris, 6° die Martii, 1857.

MEMBERS PRESENT:

Colonel DUNNE in the Chair.

Mr. MacGregor.	Mr. Liddell.
Colonel Boldero.	Mr. Otway.
Mr. Peel.	Viscount Goderich.

Committee deliberated.

Mr. *James Pew,* examined.

Resolved, THAT the Chairman do move The House for power to Report the Minutes of Evidence.

Resolved, THAT the Committee do now Report the Minutes of Evidence taken before them to The House.

LIST OF WITNESSES.

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MINUTES OF EVIDENCE.

Veneris, 27° *die Februarii*, 1857.

MEMBERS PRESENT.

Colonel Dunne.	Mr. Peel.
Mr. Liddell.	Mr. Moffatt.
Mr. Tite.	Mr. Otway.
Mr. Stafford.	Sir Charles Napier.
Colonel Boldero.	

COLONEL DUNNE, IN THE CHAIR.

Thomas Howell, Esq., called in; and Examined.

1. *Chairman.*] WILL you state what office you hold?—Director of Contracts in the War Department.

2. Are all contracts made by you in the War Department alone, or on the part of the Government for various departments?—For the War Department alone.

3. From whom do you receive the requisitions on which those contracts are made?—From the Director of Stores, or from the Clothing Department, or from the various departments for which the supplies are required.

4. Mr. *Peel.*] Is there any document defining your duties in the War Department?—There is.

5. Will you read it?—

[*The same was read as follows:*]

MEMORANDUM, stating the course to be pursued by the Contract Branch of the War Department, with reference to Contracts for the Purchase of Stores, the Execution of Works, and the Performance of various Services in connexion with the War Department.

I.—CONTRACTS FOR STORES.

1. As a general rule, all supplies of stores are to be obtained by public competition.

2. In cases in which it shall appear desirable to purchase by commission, or by limited competition, the Director-general of Contracts is, except in instances of trifling amount, to apply to the Secretary of State for War, or such other officer as may be appointed for this purpose, for sanction to that mode of proceeding, stating the grounds on which he recommends a departure from the general rule of public competition.

3. Purchases on commission are to be made through a sworn broker or commission agent of well-known respectability and standing.

4. When it shall be decided to proceed by way of public competition, forms of tenders are to be sent to persons whose names shall have been entered on the office-list of tradesmen, as connected with the supply of the article required.

5. The office-list is to include the name of every tradesman who shall make application to be placed on it, and who shall produce satisfactory references as to his ability to execute the orders for which he proposes to tender.

6. Each tradesman or firm to whom a form of tender shall have been sent, is to be at the same time informed of the day and hour fixed as the latest time for the reception of tenders, and beyond which none can be received. On the outside of the letter inclosing any tender, the word "tender" must be clearly written, with the name of the article or articles offered to be supplied.

T. Howell, Esq.

27 February 1857.

7. On the arrival of each tender as above, it is to be placed, unopened, in a box with two locks, the key of one of which is to be kept by the Director-general of Contracts, that of the other by the chief clerk, or any other officer of the department named for that purpose.

On the morning of the day after that fixed as the last on which the tenders are to be received, the box is to be opened in the presence of the Director-general and the chief clerk, or any other officer named for that purpose, and no tender not received before the expiration of the time fixed as the latest for the reception of tenders is to be entertained.

8. The tenders being opened in the presence of the Director-general and the chief clerk, or any other officer named for the purpose, a list, with the particulars of each, is to be entered in a journal kept for the purpose, which is to be examined and signed daily by the Director-general or the senior clerk, or any other officer named for that purpose.

9. As a general rule, the lowest tenders are to be accepted. Should the Director-general of Contracts think it expedient to deviate from this rule, he is to submit his recommendation to do so for the decision of the Secretary of State for War, or such other officer as may be approved by him, together with his reasons in writing for any such deviation from the general rule.

10. In cases where a further requisition shall be made for the supply of articles which have actually been supplied by public tender as above, and where the Director-general of Contracts shall consider it for the interests of the public service to order such articles to be supplied by the previous contractor, he is to apply for the sanction of the Secretary of State for War, or such other officer as may be approved by him, to the course proposed.

11. When a tender shall have been accepted, the contract and bond, when required, is to be prepared without delay by the Solicitor to the War Department.

12. All specifications and patterns of stores are to be, in the first instance, approved by the authorities directing the service for the use of which the stores may be required.

II.—Contracts for Works.

13. There will be two descriptions of contracts for works and repairs; one according to which the contractor shall agree to perform the whole service for a specific sum, another according to which he shall undertake to perform any service required of him at prices fixed in certain printed tariffs or schedules, the contractor undertaking to perform the work at the schedule prices, or at specified per-centages above or below those prices, as shall be agreed upon.

All works and repairs, of which the estimated cost shall not exceed 300*l.*, are to be undertaken and executed under contracts of the latter description, made and entered into at each engineer station for three years, and called triennial contracts.

14. The same course is to be adopted in respect of contracts for works as in respect of contracts for stores, with the exception that tenders will be advertised for by the district engineers, who are to send forms of tender to the persons who shall reply to the advertisements.

The tenders are to be directed and sent to the Director-general of Contracts, and the District Engineer is to transmit to him a list of the persons to whom forms of tenders shall have been sent, stating his opinion of their respective competency to perform their work.

III.—Contracts for Miscellaneous Services.

15. In respect of contracts for services of an important or extensive kind, such as the provision of barges, the hire of coasting vessels, the conveyance of goods by canal or railway, &c., the same course is to be adopted as that already described in respect of contracts for stores.

16. Contracts for trifling and local services, such as lighting lamps, sweeping chimneys, removing ashes, washing linen, &c., are to be entered into after advertisements issued, and received by the officers of the department immediately concerned. In all such cases the proceedings taken are to be submitted for the sanction and approval of the Director-general of Contracts.

17. When the contract is made, information of its nature and of the date at which it is to be completed is to be forwarded to the Cash and Store Departments, or the Manufacturing Departments, or the Inspector-general of Fortifications, as the case may be.

18. If it be not completed at the time appointed, the department having the cognizance of such default is to report it on the following day to the Director-general of Contracts, who is immediately to take steps to have the penalty for default enforced.

19. No penalty is to be remitted without the sanction of the Lords of the Treasury.

B. Hawes.

War Department, Pall Mall,
24th May 1856.

6. Were your duties regulated by any Order in Council?—Yes, there was an Order in Council originally regulating my duties, dated the 6th of June 1855.

7. How

7. How are your duties there described?—My duties are these: "The duties of the Director-general of Contracts will consist, 1. In providing by means of public competition and contracts for the supply of all military and other stores, and for the execution of such other services as may be required by the various civil departments of the army. 2. In making purchases and agreements when required by private treaty on special written instructions from the Minister for War. 3. In superintending the execution of all agreements made by him up to the time of their final completion, and in taking all necessary steps for enforcing the fulfilment of all contracts."

8. Mr. *Stafford.*] Is that Order in Council still in force?—That Order in Council has been superseded by the Order in Council of February 1857.

9. Mr. *Peel.*] Has there been any change with regard to yourself?—There is no change with regard to my duties by the different Orders in Council. The only change is that I am called "Director of Contracts," instead of "Director-general of Contracts," and it is understood that the contracts are entered into now immediately with the Secretary of State for War. All the contracts are made with the Secretary of State for War. The change of title took place with regard to myself, the Director of Stores, and the Director of Clothing.

10. Is the memorandum that you have read still in force?—Yes.

11. Are your duties generally regulated by the Order in Council, and the memorandum you have read?—They are.

12. *Chairman.*] Has not the last of the Orders in Council which constitutes the War Department been extensively altered, even since the last session?—As I understand, it has been so.

13. Is there any Order in Council superseding the order constituting the department and re-constructing the department?—There has been an Order in Council re-constructing the department.

14. Have you that Order in Council?—I have not.

15. Will you state the nature of that Order in Council which cancels the former one, and re-constructs the department?—I have not seen the official order as printed by the Council, but the nature of it I understand to be, that the whole transactions of the War Department are completed in the name of the Secretary of State. Everything centres in the Secretary of State. Formerly the contracts were made by me, and were passed to a certain extent by me, although I was acting under the instructions of the Secretary of State; but none of the contracts were made in the name of the Secretary of State. There is no change in my duties in that respect, or in the duties that devolve on my office.

16. There has been a re-construction of your department, and of the relations of other departments to you. Is there any document that you can get which will show what is the constitution of your department at this moment?—I should expect that there is an Order in Council. Whether it is printed or not I do not know.

17. Mr. *Liddell.*] Can you state the date of that Order in Council?—The 2d of February 1857.

18. Mr. *Otway.*] Do I rightly understand you that the change is merely technical; that the duties continue the same, but that the name of the Secretary of State is substituted for yours?—Yes, the duties remain precisely the same. I have had no fresh instructions or fresh directions of any kind. The duties remain precisely as they were.

19. Mr. *Peel.*] You are unable, of course, to speak with regard to other branches of the War Department?—As to the other branches, the Director-general of Army Clothing has joined the Horse Guards, and Mr. Ramsay has become Assistant-director of Stores and Clothing.

20. *Chairman.*] Was that mentioned in the warrant which you referred to just now?—This was the shape in which it was placed upon the table of the House of Lords by Lord Panmure, when he announced his scheme to the House of Lords in the year 1855.

21. In fact, that scheme has been changed?—It has been modified.

22. You have stated that requisitions are sent to you from the War Department for stores and so forth; can you state how those requisitions are founded?—I do not know, except from general impression, how these requisitions are founded. They are originated, I presume, by the storekeepers, who, knowing the stores they have in possession, estimate what they are likely to want, on which their annual demand is framed.

T. Howell, Esq.

7 February 1857.

23. Mr. *Peel.*] Do you mean that there must be a requisition from some branch or other, in order to set you in motion?—Exactly so.

24. *Chairman.*] Are those the warrants?—That is my warrant for obtaining the stores, the supply of which has been sanctioned by the Secretary of State.

25. You have no control over the description of stores on the contract?—No.

26. Do you send the patterns?—I have no patterns; the patterns are always in the departments for which the supplies are wanted.

27. Having received a requisition for a certain quantity of stores, how do you proceed?—Having received a requisition for certain stores, I proceed to issue tenders. An established form has been adopted by the Secretary of State, which shall embody the contract between the department and the contractor who is to supply the stores. I issue one of those forms to all the parties who are upon the list of persons in the habit of supplying such particular stores, stating the quantity of the articles required, where the patterns are to be seen, and where the specification is to be seen, requesting them to return the form to me, filled up, by a certain day, with the prices at which they are prepared to undertake the supply, according to the conditions that are embodied therein.

28. Do you make any advertisements in the public papers to the contractors?—Very rarely indeed.

29. Are they all taken merely from the office list?—They are all taken merely from the office list.

30. Do you give private information of the wants of the Government to those gentlemen who are on the office list?—Yes.

31. How are they selected for the office list?—The office list is made up in the first instance of such parties as from time to time make application to supply a particular kind of stores. If a manufacturer of cloth considers that he can supply the Government advantageously for himself, he writes to me, and asks permission to have his name put upon the list. I call upon him to give a reference, and send out an inquiry to the party to whom he refers, and if the answer is satisfactory, his name is put upon the list, and one of these letters is sent to him as a matter of course.

32. Mr. *Stafford.*] Does that rest entirely with you?—It rests with me to put him on the list or not. I have instructions from the Secretary of State that every possible facility shall be given to a party who wishes to have his name put on the list, and it is very rarely I refuse. I only remember one instance in which I felt it my duty to decline putting a name upon the list. It was a man who wished to supply army clothing. He was living in a court in St. Martin's-lane, and was a tailor's cutter, earning perhaps 6 *s.* or 7 *s.* per week.

33. What is the number of parties upon the list?—I have a statement of the various articles for which I have lists. The number of the parties upon them depends entirely upon the nature of the article.

34. What is the highest number on any list?—I should think 80 or 90.

35. And the lowest?—Perhaps 4 or 5. There are some articles which few parties sell.

36. Mr. *Peel.*] Can you furnish the Committee with a general classification of the subjects of contracts?—There are the demands which arise from the Director of stores, which are, generally speaking, military and hospital stores, camp equipage, and general stores, together with requisitions occasionally for the manufacturing departments. Then there is the army clothing, which includes everything that is used by the soldier and his horse, or is required for the equipment of the cavalry, infantry, and artillery.

37. Mr. *Liddell.*] Does that include arms?—Arms will come under a separate division; then there is the Royal carriage department at Woolwich.

38. Mr. *Peel.*] Do the materials required for this department differ in character from the materials required for other manufacturing departments?—Yes, they do; they are of a very different kind.

39. Mr. *Tite.*] What do you mean by the Royal carriage department?—The carriage department makes the gun carriages; then there is the gun factory at Woolwich, and also the laboratory at Woolwich; then there is the manufactory of small arms at Enfield, and of gunpowder at Waltham Abbey; and then there are the contracts that have to be made on account of the inspector-general of fortifications for the buildings and works that are to be effected by him throughout the country; and there is an immense number of miscellaneous articles included; for

for instance, the director of stores, who receives his articles at the Tower, has 40,000 articles upon his list.

40. Mr. *Peel.*] You have said that on entering into contracts for these various things you never advertise for open competition; is that universally the case? —It has been customary to put advertisements once a year in the papers, to state that the Government require supplies of particular articles, and that they are prepared to receive applications from persons who are competent to supply the articles; but they do not advertise from time to time as demands arise.

41. Do you know whether there are any departments of the public service which advertise?—The East India Company advertise, and the Navy advertise. Perhaps, now that we are speaking of advertisements, I may be permitted to inform the Committee that I have a case in point; in the Times newspaper of the 6th of November 1856 I find this entry in the city article, "The Government having declared a contract for 150 tons of cocoa" (that was an advertisement contract) "about 1 *s.* to 2 *s.* per cwt. higher rates were given for that article." There is an immediate advance upon a Government contract as soon as it is notified that it is required.

42. *Chairman.*] You state that to show the disadvantage to the Government of advertising large contracts?—The disadvantage of the Government advertising large contracts.

43. Are you of opinion that there would be a disadvantage if these advertisements were placed in the paper?—I have a strong opinion to that effect.

44. Will you state the reasons of your opinion?—I think that in all branches of trade, if that course were pursued it would tend to advance prices.

45. Mr. *Peel.*] You think that a system of advertising tends to advance the price?—Yes; those who supply the articles would raise the price in consequence of the increased demand.

46. Mr. *Tite.*] Why do the Navy, who have large contracts, and the East India Company, follow another course?—The Navy are acting under a special regulation of the Act of Parliament; the Act of Parliament requires them to advertise, and the East India Company act in the same manner; for some small things they do not advertise; for instance, neither the Navy nor the East India Company advertise for stores of which they are occasionally very large consumers; the East India Company do not advertise for cloth.

47. Do you think that the Navy and the East India Company's service suffer from these general advertisements?—I think that, wherever there is a large number of very indifferent contractors, there is a great probability of their getting an inferior supply.

48. Mr. *Stafford.*] Do not you think that people connected with trade know when large contracts are made by the Government, whether advertisements appear in the papers or not?—Every man who is engaged in trade takes every opportunity of acquainting himself as well as he possibly can with the state of trade.

49. Therefore the rise in price, to which the paper which you have quoted refers, may be in consequence of the Government contract, and not in consequence of the public advertisement?—The Government demand was known. If a merchant wanted to buy 150 tons of cocoa, he would send to a broker in Mincing-lane, and he would buy them before it was known that they were wanted, except by his confidential agent.

50. Do not you think that it is generally known by the trade without an advertisement, when the Government want any large supply?—I have no doubt that parties who are holders of such stores as Government are from time to time in the habit of requiring, necessarily, as a matter of course, look to the future probable demands of the Government, and regulate their private operations accordingly.

51. Therefore your opinion is not so strong as the article in "The Times" which you quoted, to the effect that the rise was owing to the Government advertisement?—I think that the rise was owing to the Government advertisement, because it made it a matter of public notoriety at a certain moment, and in consequence there was a rise in that article. If the Government were to advertise for an article for which now we issue private tenders, the price of it would be enhanced.

52. *Chairman.*] Would it not be easy for a limited number of persons who deal in a certain article to effect that enhancement of price if they combined together?—No, I think not.

53. Mr. *Peel.*] Would not the lowest price be obtained through the system of

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of open competition, notwithstanding this occasional enhancement of price?—I think the lowest price is obtained by the course which the Government pursue of ascertaining who are the parties competent to supply particular articles, and then going to those parties for the articles they want.

54. Would you be bound under the system of general tender to take the lowest price?—That depends upon the circumstances under which the lowest tender has been given.

55. The question referred to the system of open competition by advertising?—I believe the navy make a rule of accepting the lowest tender under all circumstances.

56. Mr. *Liddell.*] Is that the system followed by your department?—Quite the reverse; I should state that I am only speaking what I know.

57. *Chairman.*] Are you aware of the system which had been practised in your department previously to the alteration of the system by the other Board?—The system which was practised previously to the alteration of the system by the other Board was similar to that which is followed at the present time. They had an office list, and they generally took the lowest tender. It was a very rare exception indeed when they did not take the lowest tender for all kinds of articles.

58. Sir *Charles Napier.*] Have you ever tried the system of advertisement in your department?—We have advertised very rarely indeed.

59. What were the results of your advertisements?—We advertised once for a particular kind of timber which was needed for the carriage department. It was not to be met with in London or in Liverpool, and it was thought that, by putting an advertisement into the paper we might find it elsewhere; but we did not succeed.

60. Do large merchants or shipowners advertise?—They never think of such a thing.

61. Mr. *Otway.*] Is there any reason why a large supply of any article should be required by Government at once, or why the contract should not be given out gradually?—If a very large demand comes up at a particular time, and it is so large as to be likely to excite an undue action in the market which has a particular interest in it, it is competent to me to ask for half at one time, and to wait for two or three months, under the sanction of the Secretary of State, before calling for a tender for the remainder.

62. Is that rule acted upon?—That is the practice.

63. *Chairman.*] Do not you find occasionally, from the nature of tenders which do not belong to the great branches of trade, that when a large contract is wanted by Government in such articles, they are obliged to limit their advertisements, and get an inferior article for that reason?—No, I do not think so.

64. For instance, during the late war, were not you obliged to get guns from people who had never made them before?—During the late war there was a great pressure for mortars and guns, and we endeavoured to bring into action the great engineering firms who were likely to be able to execute that sort of work successfully, inasmuch as, owing to our small demands during the peace, there were not many manufacturers who were acquainted with the process of casting mortars and heavy ordnance.

65. Did not that want arise from the restriction of the persons to whom you applied?—No. I think it arose from our limited demands during the previous period.

66. Mr. *Peel.*] Does your office list vary from time to time?—There are always persons applying to be put upon the list.

67. Are there not also persons whose names are withdrawn?—They are not often withdrawn unless in case of great default. But I think that many people request to be put on the list without the slightest idea of providing for Government what they require; but only that they may have the opportunity of knowing what is going on with respect to the article in which they trade.

68. Do you feel bound to issue a circular to every person upon the list?—I feel bound to issue a circular to every person upon the list unless the contract is for a very small sum indeed. If it is for a small sum, amounting to 10*l.* or 20*l.*, I should take two or three names, and issue to them.

69. Supposing that no return were made to your circulars by any person whose name was on the list, should you continue to issue circulars to him?—No; there has been a recent order made by the Secretary of State upon that subject. I sent out a good many circulars to which I did not get any answer, and it has been recently ordered by the Secretary of State, that if parties do not reply

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to the circulars for four or five successive times, their names are to be removed from the list.

70. Are they informed of that?—They have not been informed of that. It is only a recent regulation that has not taken effect; it is an order that has been recently given.

71. Do you propose that they should have any notification of the removal of their names from the list?—I think they should have some notification of it.

72. *Chairman.*] Do you propose to replace their names on the list, or are they to be permanently disqualified?—I do not think they should be permanently disqualified. If they request to have their names placed on the list again, and show a desire to supply the Government, I think their names should be replaced.

73. Mr. *Peel.*] You have stated that you issue circulars to all persons upon the list?—Yes.

74. Is care taken that those circulars should be sent to all on the same day?—Yes.

75. Does it ever happen that one of the persons on the list gets his circular later than the others?—I have never known that to be the case. It is a matter of mere accident or post-office delay if it has ever occurred.

76. Have you had any complaint made that there has been irregularity in this respect?—No, I have not.

77. *Chairman.*—There has been no complaint of partiality?—None.

78. Sir *Charles Napier.*] Is there much interest used to get upon the list?—Not at all. If a man is competent, he is placed upon it.

79. *Chairman.*] How do you ensure a man's competency?—We send this letter: "M [ ] having made application for [ ] name to be included in the list of persons to be written to for tenders for the supply of [ ] for the service of the War Department, I am desired by the Secretary of State for War to request that you will reply to the annexed questions (M [ ] having named you as a reference), returning the paper to me at your earliest convenience." Then the inquiries are these: "How long have you known M [ ] manufacturer or producer of [ ]? Do you consider [ ] competent to execute contracts of an extensive character? Is your opinion founded upon your general knowledge of [ ], or have you a practical knowledge of [ ] ability from actual business transactions?" The reply to this letter is our guide in either granting or refusing the request.

Vide Appendix, p. 81.

80. To whom is that letter addressed?—To the referee.

81. How are you sure that the referee is a person upon whom you can depend?—We cannot be sure of that.

82. Are you aware of the French system of contracts?—I have read the rules of the French system.

83. Are you aware that the manufacturers who contract are obliged to satisfy the French Government of every thing connected with them?—Yes; I know that is the case.

84. Would not that be much safer than the mere word of a referee?—If we did that we must send a person round to each manufactory. The French is a very limited system, I think, as compared with our own. If a person tenders to manufacture their cloth, they require to see the manufactory where the cloth is actually made, and I believe they only issue their orders to the persons who actually make the cloth.

85. Mr. *Peel.*] Do you ever inquire whether a candidate for your list is able to supply the article in question himself, or whether he intends to get it from others?—That is one of the very questions I put, whether he is a manufacturer, or whether he is a mere agent.

86. If it turns out that he is a mere agent, what do you do?—We do not necessarily refuse the man because we understand him to be an agent; because there are many persons who are manufacturers, and have works in the country, who choose to transact business with agents. The agent receives their money, and the agent becomes responsible for the payment of it, and it is a great facility to the manufacturer to allow business to be transacted by means of an agent.

87. Are many of these persons competitors for the supply of a great variety of articles, or have you a distinct list for each article?—We have a distinct list for each article; but there are some persons that supply several articles. There are some persons who supply all kinds of hardware; but generally we deal with different persons for different articles.

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88. Mr. *Moffatt.*] Do you take any steps to satisfy yourself as to the respectability of the referees to whom you apply?—No we do not.

89. Do you make no inquiries about them?—We make no inquiries. We call upon the parties who wish to have their names put on the list to give a reference to parties with whom they are acquainted, and we generally ask them to give references to merchants, and those who know them in business, in preference to referring to bankers.

90. Do you take any steps to ascertain whether those references are made to persons who would be competent and likely to give you accurate information?—We do not do that. I think there would be no end to it if we did.

91. Sir *Charles Napier.*] Do you ever inquire whether they are competent people or not?—We take every opportunity of becoming acquainted ourselves with the competency of the parties with whom we deal.

92. Is not your acquaintance extensive?—Very; I have had great opportunities of extending it.

93. Mr. *Tite.*] With regard to the question of tender, by the conditions which you read to the Committee, you are not bound to accept the lowest tender; is there any rule upon that point?—The rule is this. In the event of its appearing to me undesirable to accept the lowest tender, generally speaking, I communicate with the chief of the department, who has an interest in the particular supply, and state to him the grounds which I have for the recommendation which I propose to make to the Secretary of State. I then put the recommendation in writing, and he puts any observation that he may have to offer upon the subject upon that paper, and the matter is then sent to the Secretary of State for his decision.

94. Is it often that you refuse the lowest tender?—Not very often.

95. Mr. *Peel.*] Is any estimate formed of what the lowest price ought to be?—We are generally buying articles that we have bought before, and I acquaint myself with the change of the price of articles, and thus I am able to form an opinion as to what may be fairly expected to be the price.

96. When a requisition is sent to you, is any calculation made of the probable sum which will be required to satisfy that requisition?—Before a requisition comes to me, it passes the Accountant-general, that he may put down the amount which the same will require, and he sees that he has sufficient left from the vote of Parliament in order to pay for the cost of that supply.

97. Supposing the lowest tender is above that calculation, is any inquiry made as to why that is the case?—No, I do not make any inquiry.

98. Mr. *Otway.*] Is the price at which the contract is taken ever made known?—It is never made known by the department.

99. Then it is impossible for any gentleman, if they take a tender, not being the lowest, to know the price at which the contract has been taken?—Yes; the department makes a strong rule upon the point, of never allowing the price that one contractor tenders to be known by another, even after the transaction is over.

100. The price at which the contract is actually taken by the Government is never known?—No, except the contractor himself chooses to announce it.

101. Mr. *Peel.*] Have you power to accept any other than the lowest tender, without special reference to the Secretary of State?—No, I have not.

102. Whenever you deviate from the rule of accepting the lowest tender, you apply for instructions?—I do.

103. Mr. *Liddell.*] Supposing the case of an article of ordinary use, as to which you have upon the list a great number of persons capable of supplying it, and supposing that you receive eight or ten tenders offering to supply it at the same price, how would the contract be divided under those circumstances?—We have occasionally received tenders in which two parties have tendered the same price, but I never knew more than two persons at the same price. The practice of the department formerly was, when two persons were at the same price, both being the lowest, to call upon them to amend their tenders—that is, to put down a lower price. That is an objectionable system, and I suggested to the Secretary of State that it should be given up, because I thought that if on a general competition a party gives the lowest price that can be offered, it is hardly fair to call upon him to cut down again in that particular price; and moreover, a contractor who was likely to do the work well would feel indignant at being asked to put down a price a second time, whereas another party would take off perhaps $\frac{2}{100}$ths of a penny, which would be sufficient to make the difference, and in consequence

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he would get the contract. Therefore I suggested to the Secretary of State that this course should be adopted, that of two such contractors, the man who was best known to the department as having executed contracts in a satisfactory manmanner should be preferred.

104. Mr. *Peel.*] Would you allow a person to ask for leave to tender subsequent to the issue of a circular?—Yes, I should; it is a very rare case. We had a case the other day where a regiment wanted colours, and it so happened that a person whom I knew to be in the habit of embroidering colours was not included in the issue of these circulars. He came and requested to be permitted to tender (the tenders were coming in in four or five days subsequently to the date of his application), and I directed a paper to be given to him.

105. *Chairman.*] Are colours obtained by tender?—Yes.

106. Is there any particular sum set apart for them?—No.

107. Mr. *Peel.*] Would you have allowed such a thing as this if any of the tenders had been received?—Certainly not.

108. *Chairman.*] Were not colours formerly provided by the colonels of regiments?—They were.

109. Were they not allowed a certain sum for them?—I think they paid for them out of their off-reckonings.

110. Mr. *Peel.*] Would you allow a contractor to amend his contract after it had been sent in?—No; we should not allow the slightest modification of the prices after the contract had been sent in.

111. Have you ever had an application to allow the amount to be changed?—Yes. Sometimes a contractor has said, "I have made an error in my price." I have always said, "If you have made an error in your price, and as you state it is an error in calculation, you may withdraw your tender, but you may not alter it."

112. Is there any possibility of a person who tenders to you knowing the price at which another has tendered?—It is quite impossible, unless they should mention it amonst themselves. Among contractors for buildings it is a general thing for builders to mention the price among themselves.

113. Mr. *Tite.*] Is it among contractors for buildings that you do not bind yourselves to accept the lowest tender?—In contracts for buildings the lowest tender is generally accepted.

114. Is it a rule?—Yes, it is a rule, provided the party be reported competent by the commanding royal engineer: the erection of buildings is a very different case from the provision of stores.

115. Mr. *Peel.*] Will you state the regulations under which tenders are received and examined?—The tenders are ordered to be brought to the office by a particular day. On the following morning, at 11 o'clock, the tender box is brought up to my room, and the principal clerk of the branch attends with a second-class clerk, for the purpose of entering the names in a book. There are two locks to the tender box; I have one key, and the principal clerk has the other. The tender box is opened upon my table, and the tenders are taken out, and all that are applicable to that particular business are sorted and opened; my initials are put upon the tenders, and the initials also of the principal clerk, and they are numbered and entered in a book, and then they are sent up-stairs into the office for the purpose of the calculations which have to be made, consequent upon those tenders.

116. Mr. *Peel.*] Has it ever happened that, from misdirection, or any other cause, a tender has been opened which did not belong to that department?—I am sorry to say that contractors do not always attend to the instructions that are given to them, to endorse upon the outside of the tender paper, "Tender for so and so." Sometimes a tender paper is put into the box in which that is omitted to be done, and that is opened necessarily to see what it contains.

117. *Chairman.*] Does that often happen?—It happens occasionally.

118. Mr. *Peel.*] It is a mere mistake, arising from the fault of the contractors?—Yes, from their not following out the rules laid down for them.

119. *Chairman.*] Do you take security in any instances from the contractors?—We do not take security in any instance from the contractors for the supply of general stores, except under peculiar circumstances, when the contracts are special and large.

120. Mr. *Peel.*] Have you the power of levying fines upon contractors for the non-fulfilment of their contracts?—We have the power of levying fines upon them,

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them, and we have the power of purchasing the articles elsewhere, and charging them with the difference.

121. *Chairman.*] Is that specified as part of the contract?—That is specified as part of the contract.

122. You do not take security for the performance of the contract?—We do not call upon a man for security for the performance of a contract, unless it is a contract made under peculiar circumstances.

123. What are those peculiar circumstances?—If we issue cloth to be made up into clothing, where the contractor for the clothing would have a part of the Government property in his possession, we take security for the return of that property.

124. You take security when Government property is parted with?—Yes.

125. Mr. *Peel.*] Have the contractors ever asked to be present when the contracts were opened?—Never; except that, with reference to buildings, once Mr. Jackson, of Pimlico, said, "I think, Mr. Howell, we had better be present when the tenders are opened."

126. Mr. *Tite.*] Has that ever been done?—No.

127. Mr. *Peel.*] Have you anything to do with the delivery of the articles you contract for?—I have nothing to do with the delivery of the articles, nor with the examination of the articles.

128. *Chairman.*] By whom are the contracts drawn up?—They are drawn up by the solicitor; the contracts are all made upon a form of terms and conditions, and they are signed by the contractors.

129. How are they made legal documents?—They are legal documents.

130. Are they made upon stamped paper?—They are not made upon stamped paper.

131. Have they full legal obligation?—They have full legal obligation.

132. In the case of large buildings do not you also take security?—Yes, in contracts for buildings we take security.

133. How do you manage as to the sufficiency of that security?—Our solicitor makes inquiry with regard to the responsibility of the parties named, and he does not accept them until he has reason to believe that they are adequate security for the undertaking.

134. In practice has it been found that a great number of these securities are not sufficient?—As yet there has been no occasion on which it has been necessary to enforce this security for a number of years.

135. Mr. *Peel.*] Does this office list apply to contracts for the execution of public works?—No; public works are always advertised for.

136. To confine yourself to the matter of the office list; are there any special articles of purchase in reference to which you would not allow every candidate who applies to enter his name?—No, after making full inquiry as to his competency; but there are certain stores of considerable importance, in which the Secretary of State for War has sanctioned a departure from the rule of the office list; I would particularly mention the article of boots. During the war there was an order for 50,000 pairs of superior quality; in that case we made inquiries to ascertain those manufacturers who had delivered the best supplies, and they were called upon to send in samples of what they would undertake to supply, and from these samples the contracts were made.

137. Mr. *Liddell.*] Have the names of those persons who had previously disappointed the service been removed from the list, or do they still remain upon the list?—Some have, where their default was attended with circumstances to justify such a course, previously to which the orders of the Secretary of State are obtained. Within the last 15 months it appeared to be extremely desirable (and the Secretary of State sanctioned the arrangement) that the providers of the army boots should mark their names upon the boots, so that we should know from whom they came if there was a complaint: previously we did not know that: when the goods were received, they were put in a large mass in the store, and consequently when the boots were complained of, they were not traceable.

138. Mr. *Peel.*] To how many articles does the general list apply?—Probably about a dozen.

139. Are there many articles with regard to which you make a special list?—Not many articles; in the article of edged tools there has been a considerable change.

140. Sir *C. Napier.*] How many are there on this special list?—I should think

12 or 14. With regard to edged tools, great complaints were made as to the quality of these supplies; great pains were taken to ascertain who were the makers of edged tools on whom we could depend. When there was a large demand for edged tools, I went round to the principal builders in London, and begged them to inquire, through their men, whose tools were the best; and, when we had ascertained this, I submitted to the Secretary of State that we should buy of the best makers, and that, instead of making it a question of price, we should make it a question of quality.

141. *Chairman.*] Do you employ brokers to purchase articles for the Government?—Certainly.

142. What articles do you thus purchase?—We purchase salt-petre through the intervention of brokers; we purchase coals; we purchase metals, timber, and deals; some blankets and rugs and cotton duck have been bought through the intervention of a commission-house.

143. Mr. *Peel.*] Is your object in employing a broker to conceal the fact of the Government being the purchaser?—It is to obtain the article on the most advantageous terms.

144. Without its being known that Government is the purchaser?—Just so.

145. *Chairman.*] The brokers are not supposed to be purchasing for the Government, but in the ordinary course of business?—Yes; for instance, if it were known that the Government were going to purchase a large quantity of salt-petre, a great speculative action would take place, and consequently the price would be enhanced.

146. Sir *Charles Napier.*] If the article supplied is bad, have you any means of punishing the contractor who has supplied it?—If it is bad, it is proved by the inspectors; and we either impose a fine upon him, or re-purchase, and charge him with the extra price.

147. With regard to the mortars which have been mentioned, have you any means of punishing contractors in that case?—If he has been paid for his goods, we have no means of punishing the contractor, except by refusing to deal with him in future.

148. Were these mortars approved?—I have no doubt of it; but that is a question which can be better answered by Colonel Eardley Wilmot than by myself.

149. Have you any knowledge of your own upon the subject?—Nothing is received without proof.

150. Mr. *Liddell.*] Upon the receipt of the tender or tenders, do you accept them upon your own responsibility, or do you invariably send them to the department for whose use the articles are intended?—It depends entirely upon whether it is simply a tender for stores, or whether it is a tender for articles that are required for engineering purposes. If it is a tender for stores, I accept the lowest price, if there is no objection to that course being pursued; but if it is a tender for cloth, I send the tender to the director for army clothing, for any observations that he may have to make upon it, and I receive any recommendations that he may have to make; but I do not consider myself bound to adopt them, unless I concur in them; and, generally speaking, before I send the paper to him, I put down my own views upon the paper, because I think it is but proper that I should state what my own impression is before I send the paper away. Then it is submitted to the consideration of the Secretary of State.

151. *Chairman.*] To whom are the goods delivered?—They are delivered to the storekeeper at the Tower, or to the storekeeper at Woolwich, or to the storekeepers at the several manufacturing departments, and to the superintendent at Weedon.

152. Are they responsible for the inspection and reception of them to the proper amount?—I have no responsibility beyond the matter of the contract.

153. Supposing that a failure occurs in that respect, is any report made back to you?—Yes, certainly, inasmuch as we can be called upon to fine the party for the non-fulfilment of his contract, or to purchase in default, taking the articles from some other means of supply.

154. If the contractor objects to the fine upon the ground that the patterns were not furnished, or that the other obligations of the Government were not complied with (which is often the case), to whom is reference made to decide the case?—If the contractor is reported, after the examination of his supply, to be in default, it then becomes my duty to impose a fine, according to the directions of the Secretary of State. If the contractor has anything to say in extenuation of his own

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act, he writes to me upon the subject, and I submit all the details to Sir Benjamin Hawes.

155. He is Under-Secretary of State for the War Department?—He is Under-Secretary of State for the War Department.

156. If a contractor does not admit that he has committed a fault, or says that the fault is caused by the Government not supplying patterns (which, you must be aware, is a common occurrence), how is that decided?—That is decided by the Secretary of State: he would say whether in any instance the fine must be treated as a fine imposed under circumstances which were not explained at the time, and must therefore be wholly or partially remitted.

157. Have you anything to do with the issue of patterns?—Nothing.

158. Is there anything in the contract pointing out the time or mode in which patterns must be delivered?—In the printed form that is sent to the contractors, it is stated that the patterns are to be seen at a certain department, and the contractor is bound to go to the department, and see the patterns before he contracts.

159. Are there not several trades in which it is necessary that the pattern should not only be seen by the contractor, but should be delivered to the workmen?—In any cases in which the contractor requires it, he has an opportunity of asking the department to give him samples of the articles which he has to provide, if that is common in the manufacture.

160. Is there a day fixed at which he is to get the sample?—He may get it as soon as the notification is sent from me that his tender is accepted.

161. In practice, does he always get it then?—I do not know. I know that he can always get it then, if he chooses to do so.

162. Has not it often been given as the reason for the non-fulfilment of the contract, that the patterns could not be procured in time?—There have been complaints with reference to the non-receipt of patterns, and contractors wanting information upon that point, have pleaded that as an excuse for not having delivered the supply at the right time.

163. If he has not, would not that be a sufficient excuse?—Certainly it would be an excuse that would be at once regarded.

164. Sir *Charles Napier*.] Is there a store receiver in each of the public departments, who receives the stores?—There is a storekeeper.

165. Is there a store receiver, besides the storekeeper?—The storekeeper has officers under him.

166. Is there no other officer to receive the stores?—I never heard of such an officer.

167. Is the storekeeper always present when the stores are received?—No.

168. Does not that show the necessity for a store receiver?—The storekeeper has officers under him, some receiving one kind of stores, and others another.

169. Is that in your department?—No.

170. Mr. *Otway*.] Are the contract department and the clothing department two different departments?—Yes; they are two divisions of the War Department.

171. Do you often receive tenders for clothing?—I receive all tenders for clothing.

172. Are the instructions for clothing tenders in all cases strictly carried out—They are.

173. Has not the clothing department ever made contracts independent of the contract department?—The clothing department, in the early course of its action, in some instances called upon parties to deliver prices, and those prices were accepted; but that was before the department got into a proper course of action; and that occurred, I may say, during the time that I was absent from my department on account of illness.

174. Have there not been occasions when the clothing department has made contracts independently of the contract department?—The clothing department has occasionally made contracts independently of the contract department; that is to say, the clothing department has asked for prices for particular supplies; there are very few instances, I think, in which it has occurred; perhaps not more than three or four.

174.* Was not a contract for the whole army in the matter of shakos concluded by the clothing department?—That is the contract that I refer to; the clothing department issued tenders asking for prices for the shakos, and upon the receipt of those prices the Secretary of State determined that the lowest tender should be accepted.

175. Were

175. Were the invitations to tender for the shakos upon this occasion to which you have referred, issued to all the contractors in the office list of the contract department?—No, I should think not; but that is a case that did not occur under my own personal knowledge; I was away from the office at the time.

176. *Chairman.*] When did it occur?—In May or June last.

177. Mr. *Otway.*] Was the contract for the supply of necessaries for the use of the army in the East made without the intervention of the Contract Department, and without the usual form of public tender?—I know nothing of the tender for any contract for necessaries for the supply of the army in the East. I rather think (but I speak subject to correction), that that was a case in which the public money was not to be spent in the supply; but that it was a contract for necessaries to be paid for by the soldier. I think it was not a public contract made by a public department.

178. Can you speak positively with regard to either of those cases, as to whether they advertised or not?—I cannot speak positively as to those cases.

179. Are the contracts generally open to the public, or do you never make special contracts?—I make special contracts with certain parties under certain circumstances, with the peculiar sanction of the Secretary of State expressly obtained for that particular purpose.

180. After having made a contract are you ever called upon to see the article supplied, and to judge of the quality of the article for which you have contracted, and which has been supplied, and to give your opinion thereon?—I believe I was called upon in two cases, and then was requested by the Director-general of Stores to give an opinion. In one instance it was with regard to some tent duck which was purchased, and which the Inspector in the Tower, in the first instance, thought was inferior in quality. I sent for samples, and it turned out to be perfectly good. Another instance was that of some rugs. I went down to the Tower to give an opinion as to the quality of some peculiar rugs that were under dispute.

181. What opinion is taken upon the quality of other articles?—Each department has a competent staff of inspectors for the purpose of a proper examination of all the different supplies.

182. Mr. *Peel.*] The patterns also are supplied by the department?—Yes, of course.

183. Mr. *Otway.*] Has it ever occurred that 170,000 pairs of boots, after being passed by one inspector as being competent, were refused by another inspector, and consequently the expense of them was thrown on the public?—It is the case that from 150,000 to 170,000 pairs of boots, purchased by the Board of Ordnance, were received during the pressure of the war at the Tower; it was found extremely important (particularly after the reports came from the Crimea that some of the boots were very indifferent) to obtain boots of the best quality, and the store of boots was subjected to reinspection by orders of the Director-general of Army Clothing, and it was considered that the quantity mentioned should not be issued to the soldiers.

184. Do I understand you rightly to say that after 170,000 pairs of boots had been passed by one inspector, whom you call a competent inspector, they were all rejected by another inspector who is also considered a competent inspector?—I do not think that the inspector who passed them was competent.

185. But still he was in a position of inspector, and had the power of passing contracts to the amount of 170,000 pairs of boots?—That was the accumulation of a considerable period of time.

186. There was a person in such a position that he could pass 170,000 pairs of boots, considered competent, who you say was not competent, and the boots which he passed were rejected, and in consequence the loss fell upon the public?—Exactly.

187. Sir *C. Napier.*] Who appointed that inspector?—I cannot tell you who it was.

188. Mr. *Tite.*] Was there more than one man?—There was a series of men; there was a head inspector and two or three assistant inspectors, and a large staff of viewers.

189. Mr. *Otway.*] Can you tell the Committee what the probable loss to the public will be upon this one transaction as to the 170,000 pairs of boots?—I cannot tell; it is a loss of about 2 *s.* 6 *d.* a pair.

190. Are you sure that it is not 5 *s.* a pair?—Yes, it is about 2 *s.* 6 *d.*

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191. Did not you open that contract?—I had nothing to do with the contracting for those boots; they were contracted for long before I had anything to do with the department.

192. Supposing there were a tender for 20,000 blankets six feet long, and that there were not that number to be found, but that a number of blankets five feet eleven or five feet ten long were to be found, would those blankets be received, or would you still determine upon having blankets exactly six feet long?—We do not buy blankets ready made. If we contract for blankets to be made six feet long, we expect them to be made six feet long; but if there were an urgent demand for blankets six feet long, and we could not get them, and if a manufacturer said, "I have not them six feet long, but I have them five feet eleven," we should receive them. It would be submitted to the Secretary of State that in that case the demand was complied with in the most satisfactory manner in which it could be done.

193. As to boots. Supposing you desired to have boots made of a very particular leather, and that leather was not immediately to be obtained, but if a man said that he had boots of a leather somewhat similar, but not exactly the same, would you have accepted those boots, or refused to accept them, because they did not exactly come up to the terms of your contract?—I do not know that any case of that kind has occurred. If a contractor is required to supply an article to a certain pattern which it is impossible to execute according to that pattern, and therefore he cannot contract for it, and it is a point on which the contractors concur, and it becomes patent that it is so, then the Secretary of State would get the best article he could.

194. You would under those circumstances allow a deviation from the desired pattern?—I should consider that the Secretary of State would sanction a deviation under such circumstances as those.

195. With reference generally to contracts, contracts are open to competition; but do I rightly understand you to say, that that is a competition for price, not a competition for quality?—In some instances the Secretary of State has established a competition for quality, not only in that one case which I have mentioned, but with reference to other supplies. When, for instance, the army was in the Crimea, instead of calling upon parties to send in tenders for warm clothing, we ascertained the fair prices for certain articles that were required; the most respectable firms connected with the trade were directed to deliver samples of flannel waistcoats, jerseys, drawers, and socks, the best they could supply at the price, and orders were given to those who supplied the best samples.

196. Does not that seem to you to be a better system than the present?—I think it is a very desirable system, and one that should be adopted on many occacasions; for instance, in the article of boots, that system might be adopted advantageously. The Government know what is the fair price for a pair of regulation boots, and I think it would be very desirable to say, "We will pay so much for the boots; let the manufacturer send in a sample of what he will undertake to make at that price," and then to give the orders to those manufacturers who sent in the best article, binding them to make the boots of the same quality as the sample.

197. Would this system insure an advantage in regard to quality?—I think it would; I think it is a desirable system, supposing that you can be quite satisfied that in fixing a price, you are fixing the proper price which you ought to pay for the article; I think it is an undesirable measure at all times to put the question upon a competition price.

198. Has not the Government the means of knowing the market price of any article in the same way as other purchasers?—Certainly.

199. Would not that system insure a better quality than the present system?—I think that wherever we have put the competition upon quality, instead of price, being satisfied that the price which had been named was what ought to be paid for the article, there has been a great improvement. I think that the principle of introducing competition for quality is one which ought to be rather encouraged than otherwise.

200. In your opinion, as a commercial gentleman, is it not the worst possible economy to get a cheap and yet a bad article?—Certainly.

201. Mr. *Peel.*] Would cheap and bad articles be got by public advertisement?—I think so, to a large extent, if we were bound to take the lowest tender.

202. *Chairman.*]

202. *Chairman.*] After the contracts are completed, where are the deliveries made?—To the respective departments; the Army Clothing Deparment, and the other departments.

203. At what places are the deliveries made for the Army Clothing Department?—In some instances at Weedon, in some instances to the army packers.

204. Where are they?—In Mark-lane.

205. Are there any deliveries at the Tower?—There are none at the Tower; the deliveries at the Tower are taken away; other stores are delivered at Woolwich, at Waltham, and at Enfield.

206. Are those deliveries made to the storekeepers?—Yes, and to the superintendents.

207. Have not they under them a great number of storekeepers?—Yes.

208. Are they at once placed in the stores, or is there a place for inspection?—I can hardly say, because it is not a matter that comes under my duties; it is a matter of which I must speak as to my impression. I think that the superintendent of the department where they receive the stores should rather be examined upon that point than myself.

209. Are you aware whether a comparison of the article furnished with the pattern is made by the officer of the department?—Yes, undoubtedly.

210. As to the contracts for clothing, will you state how the contracts for the greater part of the clothing in the army are made?—In the first instance a request comes to me from the director of army clothing, stating that he requires a certain quantity of clothing; tenders are then issued upon the principle I have stated. The cloth is received at Weedon, and nowhere else. The cloth is there examined by the inspectors, and stored for issue as occasion arises. At a subsequent period the Director-General of Clothing requests that a contract may be made for making up the clothing, and tender papers are issued in my department to the various parties who are in the habit of making up the clothing, to know the terms upon which they will make up the garments, taking the cloth from Weedon.

211. Then the cloth is sent to Weedon and inspected there, and is subsequently sent to the persons with whom you contract to make it up?—Exactly so.

212. Is the freight of that cloth charged to the public?—The contractor takes the cloth from Weedon; the carriage forms a part of the expenses to which he is exposed.

213. Sir *Charles Napier.*] Does the cloth come back to Weedon after it is made up?—Not under all circumstances; sometimes it is delivered to the army packers.

214. *Chairman.*] Where is it inspected after it is made up?—In some instances it is sent back to Weedon, and in some instances it is inspected at the packer's.

215. Mr. *Tite.*] Who inspects it in that case?—An officer of the department at the packer's.

216. The packer is a private individual?—Yes.

217. The officer attends at his premises?—Yes.

218. Mr. *Moffatt.*] What proportion of the clothing is sent down to Weedon?—The proportion which was provided by the colonels goes to the packer's, that is to say, the coatee and trousers and shako; the boots are all delivered and inspected at Weedon.

219. *Chairman.*] What is the case as to great-coats?—The great-coats are delivered and inspected at Weedon.

220. They were an Ordnance delivery, were they not?—Yes, in former times.

221. They are now taken charge of by the Clothing Department?—Yes.

222. Sir *C. Napier.*] Do you buy them made up?—The coats are not contracted for made up; we buy the grey kersey and other materials, and then have contracts for making it up.

223. The clothing makes a voyage to Weedon, and a voyage to the tailors, and another voyage back to Weedon, and then one to the regiment; is that not so?—Sometimes it does.

224. The greater part of it?—Not the greater part of it.

225. *Chairman.*] Will you state the difference between the amount of clothing the colonel used to provide and those which were supplied under contract, which go to Weedon and which do not?—That is a question which belongs rather to the Director-general of Army Clothing than myself; but the colonel of the regiment formerly provided a coat, a pair of trousers, and a pair of boots annually for each soldier, and a cap every two years, and he also provided accoutrements as they

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were required from time to time. The only articles that go to the army packers are those which were in the habit of going there previously, on account of the colonels; but great-coats which were provided by the Board of Ordnance, and the other supplies of the Board of Ordnance, go to Weedon, and are received under the charge of officers at Weedon.

226. Do not the tunics and trousers go to Weedon in the form of cloth in the first instance?—The cloth is delivered at Weedon in the first instance.

227. At the expense of the contractor?—At the expense of the contractor who makes the cloth.

228. Does not he include the expense of that in his charge?—Yes.

229. Is it sent back at the expense of the nation to those who make it up?—The cloth is contracted for to be manufactured in Yorkshire and delivered at Weedon for inspection, and then the contractor, wherever he may happen to be, who makes up the clothing, if he lives in London or elsewhere, takes the cloth from Weedon at his own expense, and makes it up, and delivers the clothing that used to be provided by the colonels of regiments to the army packers.

230. Then it is sent to the regiment?—Yes, having been first inspected by the officer of the army clothing department. It is inspected as regards the quality of the cloth in the first instance at Weedon, and then it is inspected afterwards to see that the making up is proper before it is issued.

231. There are different classes of clothing required for the different branches of the army; in making a contract for each branch, do not you make the contract for a different class of cloth?—Yes; we purchase cloth for the various departments. There are the Foot Guards, the cavalry, the artillery, and the infantry of the line.

232. Are you aware of the alterations that have been made in the relations of the Board of Army Clothing to you since last year?—There is no practical alteration in the working of the department. There may be technical alterations, but no practical ones.

233. Do you know of any alterations as to the sending of the cloth to Weedon and back again?—Last year it was contemplated that the clothing should be sent to Weedon; but if it has to go to Weedon, the contract orscharge a nadditional one per cent., and therefore it is cheaper to the public to have the clothing delivered in London, and shipped in London. That was done during last year for a considerable portion of the clothing.

234. Sir *Charles Napier*.] When the clothing arrives at the regiment, is not it generally made up again?—It is all made up before it goes.

235. Is it not made up again?—No, I should imagine not. Some years ago the cavalry regiments always made up their own clothing. It was sent to them in materials, and they made it up themselves.

236. Would not that be the better way?—It is not considered to be advantageous to do so, and particularly as regards the infantry regiments.

237. *Chairman*.] Are you aware of any difference in price or quality between what was furnished by the colonels, and what is now furnished to the soldiers by the Government?—The difference is material as regards the quality, and therefore of course there must also be a difference in price. I have not gone into the calculation; my duty is to buy the cloth, and contract for making up the supply. I have not gone into a calculation of what the present clothing would cost; but Mr. Ramsay will be better able to speak to that.

238. Are there any contracts for the issue of cloth at present in force?—All the contracts for the clothing to be taken into use on the 1st of April are completed, of course.

239. Could you furnish the Committee with the price of that cloth per yard?—I could furnish the Committee with the prices that have been paid for cloth, and also for making up.

240. Have you made any contracts during the late war?—Yes, very largely.

241. What contracts were made as to clothing?—A great quantity of army clothing was contracted for in the winter of 1855.

242. Could you state the amount of those contracts, and the prices at which they were made?—There were 70,000 jersey jackets, about 110,000 pairs of drawers, and about 150,000 or 200,000 pairs of worsted socks.

243. Were those made in England entirely?—They were made in England entirely. Some few were made at Hawick, in Scotland.

244. Were any made abroad?—There were some contracts made abroad for warm

warm clothing for the previous year, but none for the year 1855. The clothing for the year 1855 in the Crimea was very satisfactory. The soldiers were extremely well clothed.

245. Where was it made?—It was manufactured in Leicestershire principally.

246. Then you can furnish a return of the amount and price of it?—Certainly.

247. When were the contracts for boots in that year made?—There were contracts for boots from time to time. There was one particular contract that I specially alluded to furnishing boots of a very superior quality, and Lord Panmure sanctioned the purchase of boots at from 1*s.* 3*d.* to 1*s.* 6*d.* advance upon the ordinary regulation price.

248. Mr. *Otway.*] What is the ordinary regulation price?—They cost 9*s.* 3*d.* or 9*s.* 6*d.* per pair, and at that time the ordinary regulation price was 8*s.* That was sanctioned by the Secretary of State for War for the provision of boots of the best quality that were made.

249. Mr. *Tite.*] Was that done without competition?—Competition took place in this way: about eight or ten contractors who were known to have made the best kind of boots, were informed that the Secretary of State was willing to receive patterns for consideration and approval of a better kind of boots, which should cost from 1*s.* to 1*s.* 6*d.* more than the regulation supply. Each party was directed to send half a dozen pairs of the boots which they would manufacture at that price. The best samples of the deliveries were determined upon, and the full quantity was contracted for.

250. *Chairman.*] Was that perfectly satisfactory?—I think perfectly. I think those 50,000 pairs of boots were the best that soldiers ever wore.

251. Mr. *Tite.*] Those tenders were only sent by parties chosen from the office list?—They were only sent to those who were known to be the best makers on the office list: it was of no use to go to the office list if we wanted boots of a very superior quality. We selected those who had the smallest number of rejections, and who were known to send boots of the best quality.

252. *Chairman.*] Was the warm clothing got in the same way?—The warm clothing was got in the same way. The Secretary of State fixed the price that was to be paid for the articles.

253. Then the parties were requested to deliver samples at a price?—Samples of jerseys, or patterns of drawers or socks, which were of the best quality.

254. Mr. *Liddell.*] The greatest difficulty is always experienced in obtaining supplies of cloth; have you adopted the same system there?—We have not adopted the system of competition as to quality as regards cloth; but the extreme importance of cloth has caused a great desire on the part of the Secretary of State for War to take care that the army should be well provided, and he directed every possible inquiry to be made to ascertain those who would be likely to manufacture cloth in the best way, and orders have been given to those parties in preference, in some cases, to parties who had tendered at a lower price.

255. *Chairman.*] Are there any means of getting at the quality of the cloth?—It is a matter that is determined by the inspectors at Weedon, by every possible means that they can, and they have a desire to get information upon every point.

256. Mr. *Liddell.*] Are any alterations ever allowed to be made in tenders for cloth when once they have been accepted?—As regards the period of delivery, they sometimes are. We had an instance the other day in which a manufacturer took an order for 20,000 yards of cloth, and he asked permission that 5,000 yards of the cloth might be delivered a month later, which was granted to him, as it was not such an inconvenience to the department. There has been nothing more than such a simple modification as that; but as a rule, we rather avoid making even such a change as that.

257. Mr. *Tite.*] Is any deviation in quality permitted?—No, certainly not.

258. Mr. *Otway.*] Is not the best test of cloth the way in which it wears?—Yes.

259. Is it difficult to detect what they call shoddy in cloth?—Very difficult. There is a great mixture of shoddy introduced, which has the effect of improving the appearance and feel of the cloth. It can be introduced in different kinds of cloth with a great deal of success.

260. Is it not difficult to detect this in the cloth?—It is a difficult thing to detect shoddy if it is in a small quantity; of course, the larger the mixture, the more palpable it becomes.

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261. Mr. *Tite.*] Does it improve the cloth?—No, certainly not; quite the contrary. I should like to state to the Committee with regard to cloth, that in the specification it is expressly provided, that "All cloths are to be made of new sound wool; and should it be found that any portion of a delivery of cloth contains 'woollen waste' or 'shoddy,' or anything else than new wool, the whole delivery will be rejected." And in issuing a tender the other day for a large supply of cloth, the particulars of which I hold in my hand, it was felt to be necessary to impress upon the manufacturers the extreme importance of quality and the entire exclusion of shoddy; therefore, in writing to the manufacturers on the subject, their attention was called to that point. Here is an extract from the letter that was written to the manufacturers:—"In calling for prices for such portions of the demand as you may deem best suited to your manufacture, I am directed by the Secretary of State to impress on you the great importance his Lordship attaches to the execution of this supply, whether as regards quality of material, manufacture, colour, or finish, in all which respects a perfect cloth is required; and I may further state, that the mixture of shoddy or woollen waste will be deemed an attempt at deception, and any party who is proved to have introduced such material into the supply, will not hereafter be allowed to tender for supplies for Her Majesty's Government. In replying to this letter you will be expected to express yourself very distinctly upon this important point."

262. Mr. *Otway.*] You say it is very difficult to detect shoddy in cloth; upon whom is that difficulty imposed; is it put upon the competent inspector?—The inspectors are the parties who are responsible for the examination of the cloth, and therefore it is their duty to see that the cloth accords with the specification upon which the supplies are taken, and to determine whether it is a sound cloth, or whether it is a shoddy cloth.

263. If the inspectors reject the cloth in consequence of their entertaining the idea that it contains shoddy, have the furnishers of that cloth any appeal against their decision?—If the contractor thinks that he has any strong grounds against the decision of the inspectors, he generally addresses a letter to me, and I refer it for examination to the proper quarter. In the event of the contractor urging his claim, all the facts would be ascertained, and they would go before the Secretary of State, for him to say whether we ought to make any modification of the agreement or not.

264. Is the Secretary of State a person competent to determine as to the existence of shoddy in cloth?—No, certainly not.

265. Suppose that a contractor has furnished cloth to the department, and that cloth is submitted to the inspection of a competent inspector, and the competent inspector determines that the cloth contains shoddy, if the contractor feels aggrieved with the decision of the inspector, is there any competent person to whom he can refer the matter as between himself and the inspector, and obtain justice as against the inspector?—While it is part of my duty to obtain the Government supplies upon the best terms, and to get the best article for the benefit of the service, it is also part of my duty to receive any representations such as are alluded to in the question, and to see how far they should be matter of consideration; whenever a contractor's supplies are rejected, that contractor will always try to prove that the goods are quite equal to the pattern; there may be circumstances under which an appeal may be desirable; but it is not a matter in which the department has sanctioned the calling in the opinion of other parties, because, if that system were to be established, there would be no end to it.

266. Are you aware of the system which obtains as to French contracts?—In the French system, I believe, they have the power of calling for an appeal on any part of their contract.

267. Supposing that a contractor is aggrieved by the judgment of the inspector, has he any remedy whatever?—The terms of the contract are, that the decision of the inspector of the department is to be considered as final; there is no legal remedy; but I am sure that any reasonable ground of appeal would be listened to.

268. Who is competent to decide this point, seeing that it has already passed a competent person?—It is very difficult to know how to treat it in the best possible manner; but if the contractor states that he considers his supply has been unjustly inspected, his statement is referred to the head of the department for him to make a careful official inquiry into the circumstances of the case; if upon a clear return made it appears that the inspection has been made in a correct manner,

manner, and the head of the department is quite satisfied that the inspection is right, then the matter must stand.

269. Is the head of the department a person competent to judge of such a matter as the existence of shoddy in cloth?—No, certainly not.

270. Sir *Charles Napier.*] Is not the inspector supposed to know that?—Yes, and the inspector's judgment is supposed to guide the department.

271. Mr. *Otway.*] After the inspector has determined the matter, is there any other person competent to determine it?—There is no other person.

272. Sir *Charles Napier.*] He has great experience in it of course?—It is his daily duty.

273. Mr. *Liddell.*] Who appoints the inspector?—I have nothing to do with that. In fact I may say that in my office I have nothing to do with the action of the inspectors. The inspectors are appointed by the Secretary of State, principally upon the recommendation of the head of the department, I should conceive.

274. May we not presume that they are selected for their technical and practical knowledge of the articles which they have to inspect?—Precisely so. I have not the charge of the deliveries; I am not responsible for them, and therefore I am only speaking from general knowledge.

275. *Chairman.*] You say that you contract for the cloth in pieces, and have it made up afterwards; do you see any advantage in the Government doing that, instead of contracting for the whole coat made up, as was the case formerly?—It is a matter of experiment at present. A great many observations were made with regard to the quality of the cloth; and it was conceived, I presume, that the opportunity of inspecting the cloth before it was issued for making up, gave the Government an opportunity of securing a more perfect and a sounder quality of cloth than was gained by the previous mode. But I should consider that if we dealt with respectable parties who undertook to supply good army clothing they ought to take care that the cloth was perfectly sound and equal to any sample that was given.

276. If you deal with persons of known capital and respectability, are you not as likely to get the whole of the cloth made up satisfactorily as if you, on the part of the Government, purchase the cloth (going through this long process of sending it backwards and forwards to Weedon), and then have it made up and sent to the regiment?—There is an advantage, unquestionably, in feeling perfectly satisfied with regard to the quality of the cloth before it is made up.

277. Mr. *Peel.*] Is it your province to inquire whether there shall be one or more contractors to supply an article?—No.

278. *Chairman.*] Am I to understand that you are not prepared to form an opinion upon that point?—I think that a good supply of clothing might be obtained, made up upon an approved and established pattern, which pattern was not to be changed; and I have no doubt that a respectable party engaged in the trade would deliver a good article upon that pattern: but I also think that there is a great advantage, certainly, in having a good inspection of the cloth, and knowing the actual nature and quality of the cloth.

279. In answer to an honourable Member, you said that you considered that the wearing of the cloth was the best test of the quality; would not the commanding officers of regiments, therefore, be the best judges of the quality of the cloth?—The commanding officers of regiments are the best judges of the wear of the cloth that is supplied to their particular corps; and hence, in the letter which I referred to just now, it is stated that means will be taken for tracing the cloth that was furnished in this particular supply to the various regiments by whom it is used, and that after six months' wear, they would be called upon to report upon it, in order that we may know whose cloth wears well, and whose does not.

280. Do you reserve any power in the contract of fining the contractors upon such a report?—No.

281. What is the use of that report?—It would be available for future action, and the department would not have anything to do with the parties who supplied a bad article.

282. Would it not be a more secure method to take the commanding officer's report after six months' wear, seeing that they would judge best of the manufacture of the coats?—I think it is of immense importance that we should have a report from the commanding officers as to the clothing.

283. In a case where the whole coat was purchased for the regiment, should it not be in the power of the Government to impose a fine, or a reduction of price, upon

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upon a report made by the colonel?—If it were provided in the original contract it would be possible to do so; but, of course, if you withhold the price, and reserve it for a future date of payment, you must have to pay more for the article than if you paid for it immediately.

284. As to quality, do you think that any difference is likely to arise from that process?—I think that a contractor who delivers clothing, made up, ought to have no difficulty in manufacturing a perfectly good garment.

285. Now, as to price, do you not think that they would be able to furnish the coats at a lower price than they are now made at, seeing that they would avoid the travelling which at present the cloth and materials undergo?—The cloth must travel in the same way in both cases, because if the cloth has to come to London, it pays a larger amount of carriage than if it goes to Weedon. I think the incidental travelling expenses are small. The object of the Government in purchasing the cloth from the producers is to get it at a cheaper rate than probably any private individual would purchase it at.

286. How is it made up?—The Government do not make it up; they issue it for making up.

287. With whom do they contract?—With the army clothiers, who are accustomed to the trade, and who are disposed to contract for it.

288. The only tenders in that work are that for the purchase of the cloth, and that with the army clothier, who makes it up?—Yes. In the present year's supply, all that the Government do is to purchase the cloth and buttons. These are furnished to the army clothier, and he finds the trimmings.

289. Mr. *Peel.*] Are you aware that in some cases the Government make up the army clothing in the department?—Yes; the Artillery are to make up their own clothing.

290. Sir *C. Napier.*] If the colonel of the regiment had to make the contract, and had the men measured upon the spot, would not the clothing be made cheaper?—It could not be done upon the spot, because the army is scattered over the world.

291. Could it not be done at home?—That was the system that was previously established. There was a certain allowance made to the colonels, and they furnished the clothing.

292. Might not the colonel contract for the supply of the clothing, the men being measured by the tailor and the price being fixed on the spot?—I think that you would not get a uniformity of supply. You would not save anything in expense, and you would open the door to a great deal of inconvenience.

293. Mr. *Otway.*] Does not the same contractor in most cases supply various regiments, so that you get a certain knowledge of the value of the articles that are supplied?—Yes.

294. Mr. *Liddell.*] Does the Government pay ready money for all the articles that are supplied to them?—Yes. The arrangement is this. It is stated in the terms and conditions of the contract, that 30 days are to be allowed for the inspection of the articles, and after that ten days for the issue of bills, so that the contractor ought to get his money within two months after the delivery of his contract.

295. Supposing that in the course of that two months a coat should be subjected to a hard wetting and the colour should fly, would the Government then have the power of rejecting and refusing to pay for the article so spoiled?—I think that when the article has once passed the inspector the Government is bound to pay for it. The Government must take care to protect itself by a careful inspection of what they receive; but I think that the importance to every one of maintaining themselves well in the estimation of the Government, who are large customers and certain paymasters, would be a sufficient inducement to the contractors to deliver a proper supply, under the fear of the punishment of being excluded from all future transactions, a punishment very severe to a man who is engaged in these dealings.

296. Mr. *Otway.*] Has a contractor any means of re-establishing his character if it is damaged by the report of the inspector?—If the report of the inspector is adverse to the character of the supply, he has; but it does not follow that because the supply is rejected, the name of the contractor is necessarily put off the contract list. He has an opportunity of replacing his rejections. Certain allowances are made for the accidents of trade and the contingencies of manufacture. There is not a too arbitrary or too severe proceeding adopted. Every man has a fair

fair chance given him of upholding his character, and of relieving himself from any impression of an unfavourable kind which may have been created with regard to him.

297. If he had contracted for a supply, and his supply had been rejected, would he any longer be retained upon the list of contractors?—Not if he delivered inferior supplies wilfully.

298. *Chairman.*] As to arms. How do you contract for the supply of the raw material at Enfield?—Colonel Dixon, who is the Superintendent of the Royal Factory at Enfield, sends a letter to the Secretary of State for War to say what is required. If the Secretary of State approves of the supply being provided, that letter is sent to me, and I then take active steps to procure it. The provision of small arms is of a peculiar nature. It is not like ordinary merchandise of large commercial manufacture—it is essentially a technical supply. There is great deference paid to the recommendations of the superintendent. The superintendent writes a letter with his views of the parties who are prepared to execute the orders. We do not confine ourselves to that opinion at all times.

299. Mr. *Peel.*] Is the supply for Enfield the same as the supply to the manufacturing departments at Woolwich?—There is a material difference between them.

300. *Chairman.*] With what assistance do you proceed as to the supply of the raw material for the manufacture of arms at Enfield?—We receive generally a recommendation from the superintendent with reference to the provision, and he also recommends, generally, the means that he considers best calculated to ensure a proper supply, and we proceed in the same manner with the issue of tender papers and the receipt of tenders for the provision of the stores for Enfield. As to barrels, for example, there is a certain kind of iron for barrels, and a certain kind of steel for bayonets. Bayonets can only be made of a particular kind of steel, and the barrels of rifles can only be made of a particular kind of iron. There is but one man in England who manufactures that particular kind of iron, and therefore we are confined in our demands to that particular party.

301. Therefore that man has a continuous contract for gun-barrels?—No, not gun-barrels, but that man has continued contracts for iron for manufacturing gun-barrels.

302. Mr. *Peel.*] Do you purchase the stocks?—We purchase the stocks.

303. Where do you buy them?—There are contracts made with two or three parties. There is a large house in Belgium who have undertaken a contract for a considerable quantity of stocks. There is also another person, a gentleman of the name of Scott, who travels over the Continent, and particularly Italy, and gathers them; they are made of a particular kind of wood, and there is a limited supply of that wood, and therefore we get it at different places.

304. *Chairman.*] Do you find that American wood answers for that purpose?—The American wood does not answer.

305. Mr. *Peel.*] What are the principal articles purchased for Enfield?—Iron and steel.

306. *Chairman.*] Is not there another thing for which you make contracts, namely, machinery for Enfield?—We make contracts for machinery for Enfield and other parts.

307. Where is the machinery for Enfield made?—A large part of the machinery for Enfield has been made in America.

308. Is not that a simple purchase?—It is a simple purchase by an officer of the department, who was employed to go out to America to buy it. An American has manufactured a class of machinery for arms, which is superior to that used in England; and it is with that machinery that Colonel Dixon has produced the arms which are made there.

309. Mr. *Peel.*] Is it the usual course to call for tenders for machinery?—Yes. When the superintendents want machinery they draw up a specification. These are sent with the tenders to the principal machine makers, who are considered perfectly competent to the execution of the contract.

310. *Chairman.*] In these cases was not the machinery bought by the officer who was sent out for the purpose?—Yes, as regards the machinery from America.

311. Has it anything to do with the amount of the supply of arms?—Nothing to do with the amount.

312. How was the contract for the small arms at Birmingham managed?—

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There is a Government establishment at Birmingham, under the direction of the storekeeper there, who is under the orders of Colonel Dixon. He has always in his possession a great amount of materials that are used for the manufacture of rifles. The stock is kept up. If a message comes from Colonel Dixon that he wants ramrods, or barrels, or locks, or sights, or other portions of the arms that he may require, contracts are made with certain parties at Birmingham for the supply of such materials, and afterwards for making up the arms.

313. Mr. *Peel.*] Does the Government manufacture any parts of the arms?—At Enfield it does; but for Birmingham the Government buys the parts. They buy the ramrods from one man, the locks and sights from another, the barrels from another, and having received them into store, and approved the quality, they issue them to the parties who perfect the arms.

314. You make a separate contract for completing arms just as you do for completing clothing?—Precisely.

315. *Chairman.*] Do not you make several contracts for each rifle?—Yes; it is a very complicated and very technical trade.

316. In practice, if one of those several contracts fails, it delays the completion of the whole arm. Has it not been found that considerable difficulty has arisen to the Government on account of the failure of some small part of the arm, from making the contracts in that way?—Some of the contractors have not delivered their arms in accordance with their engagements, and a great number of the makers have complained of not having material sufficient for issue, but the whole trade is occupied by the Government. They are urged forward to get on as much as they can with the provision of their respective supplies, and it is the duty of the officer of small arms to take care that the stock is sufficient for the issues.

317. In practice has it not been found that from the failure of a particular part of the arm, the spring or something of that sort, the whole delivery of the arm has been delayed?—No, I think not; the delivery of arms is always going on.

318. Do you think that the advantage of contracting in detail is in any way counterbalanced by other disadvantages?—It has been the entire custom of the trade. It has not been the custom to make purchases of the finished arms, and to receive them in a finished state. The weapon of the soldier is so important to him that the Government have always thought it desirable to examine it in detail. They consequently examine the materials in the first intance, and during the process of setting up, the arms are examined half a dozen times, in order to see that as it goes on stage by stage it is finished in a proper manner. It is the most perfect system of proceeding that can be imagined.

319. Mr. *Peel.*] Are you aware that the Government have purchased finished arms on the Continent?—Yes; but there is a certain amount of inspection going on there. Certain arms have been purchased at Liege, and certain arms at St. Etienne.

320. *Chairman.*] Can you furnish the Committee with a statement of the number of arms which have been purchased there?—I can.

321. Is there any contract going on for arms at the present moment?—There is a contract going on at Birmingham for the delivery of so many per week.

322. What is the nature of that contract?—It is a contract for three months with the contractors at Birmingham, giving them certain work for that period of time. It is not a contract for a certain quantity of arms. We said, "We will issue you materials for the next nine or twelve months." We entered into a contract for time, and not for quantity.

323. Is it not their interest to deliver as many as possible?—Yes; the deliveries are as quick as they can make them.

324. Are you not at Enfield under an engagement to supply the East India Company with arms?—The Government are under an engagement to supply the East India Company with arms.

325. Why do you make a contract at Birmingham, and manufacture arms at Enfield to sell?—That is a question of wide import. The fact is this: the East India Company necessarily required arms precisely similar to those which were required by the Government, and the East India Company were going to the trade to purchase locks at the time that the Government were going to purchase locks, and it was much better (the East India Company being a branch of the Government) that the Company and the Government should be supplied by one

party

party instead of two; it might happen occasionally that the Government and the Company were running against each other.

326. Mr. *Liddell.*] Is not it the case that the manufacture of locks is in a very few hands?—There are not a great many manufacturers of locks.

327. *Chairman.*] Could you put in any return of the amount of rifles and other arms that have been manufactured ever since they have been made at Enfield?—Yes, I think I can; I must go to Colonel Dixon for it. During the extreme pressure of the war, when it was particularly important to get arms that should be equally efficient, but not perhaps so highly finished as the Government arms generally are, there was a facility given for the reception of arms a little deficient in finish, although equal in actual quality.

328. Have you made any contracts in America?—I have not made them; contracts have been made in this country for arms, which have been executed in America, to the extent of 25,000 rifles.

329. Are the contracts at Liege made by you?—The contracts at Liege were made by Colonel Smythe, who is over at Liege for the purpose of negociating with the contractors. He reports to the Secretary of State for War what he has done, and that comes into my office as a matter of contract arrangement; and the answer that goes from the Secretary of State to Colonel Smythe would be written at my office.

330. Does he submit his proceedings to your approval, or does he act upon his own authority?—The matter comes before me, and I make any observation that I may have to make upon it.

331. Having spoken of arms, we will now proceed to the subject of tools. Will you state in what respects contracts for tools differ from what they were formerly?—Edged tools are felt to be a matter of considerable importance; formerly they were generally awarded to the lowest tender. Prior to my going to the War Department I visited all the manufacturers of edged tools, for the purpose of getting as much information as I could upon the point, and I took certain other means of getting the best information upon the subject. When a large demand arose for edged tools, I went to those parties who were understood to stand the highest in the manufacture of particular articles; one man makes a chisel better than another, another makes a plane, another makes a gouge, another makes an adze, another makes a spade better than others, and different manufactures of that kind; therefore I took the opportunity of ascertaining who were considered by the general trade to be the best makers, and who had the greatest reputation for their supplies for America and the colonies. The orders have been allotted upon that principle. And again, in order to satisfy myself with regard to that point, I went round to some of the principal builders, and begged of them to communicate with their foremen as to the tools that the men made use of in their different shops, and to report with regard to the persons who were known to manufacture the best tools of different kinds. These reports, when they came to me from the builders, confirmed the views which I entertained with regard to the character of certain houses, and the Secretary of State sanctioned the allotment of the contract to those parties.

332. Did you then enter into a contract with those parties so selected?—Yes; and all the tools are now marked with the maker's name; so that there is a reference in the case of any complaint.

333. Mr. *Moffatt.*] Are the prices for the tools of which you have been speaking fixed by a tender issued in the same way as with regard to other articles, or are they fixed by private agreement with the manufacturer?—In the case I am particularly referring to, the tenders were issued to the parties who were upon a list that I had made out when the matter was under consideration at the office. I saw the importance of the supply, and I took an opportunity of making inquiries of builders for the purpose of knowing who were the best parties for the tender. And I said to Mr. Monsell that it appeared to me that this was one of those contracts that ought not to be settled upon the question of the lowest price, and he quite concurred in that, and I gave him a list of the names of those parties that stood the highest; and those parties were subsequently accepted.

334. Mr. *Liddell.*] Did you hear any complaint made of the pickaxes that were furnished to the brigade of guards during the time they were working?—I have not heard of it. In the Crimean Evidence there are some observations of Sir John Burgoyne's, in which he speaks of the inferior quality of some of the tools that

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were used for sapping and mining; but I do not recollect the particular tools that were used by the brigade of guards. A pickaxe is just one of those things which we should have obtained on the principle I have been speaking of, of taking the best tender.

335. Would not you, who know the nature of a pickaxe, say at once that a beech handle was of no use?—Of course. A sample was sent to the contractor, and it was the duty of the inspector who received the pickaxes, wherever they were received, to see that they were what they ought to be.

336. Mr. *Otway.*] Were these pickaxes subject to inspection?—Everything that is received by a public department is subject to inspection.

337. And were they approved of?—Yes, of course.

338. How do you decide the price of such articles?—We issue tenders asking parties to quote their prices, and we choose one of those prices, and pay them.

339. *Chairman.*] Were not those tools that were complained of bought before you were in office?—Yes.

340. There are two modes followed by the Government of supplying the army with cannon,—namely, by manufacture at Woolwich and by contract. Will you explain the mode of procedure adopted with regard to these contracts?—A requisition would come from Colonel Eardley Wilmot demanding a certain number of cannon or mortars; a tender would be issued to the parties who were on the list for cannon and mortars, and they would be called upon to quote prices.

341. Would requisitions be sent only to those who were on the list?—Only to those who were on the list.

342. Were not you obliged to depart from that rule during the war?—Yes; the urgency of the demand during the war was so great that the inspector of machinery (and I am not certain that the superintendent of the Royal gun factory did not accompany him) visited the works which were connected with the great iron factories, and certain parties undertook to cast guns for the Government, and some succeeded very well.

343. Did they not all succeed?—There was a great disappointment with regard to the period of delivery. The manufacturers found it more difficult than they expected. Some cannon of an inferior kind were received, but I think that, generally speaking, they were fairly delivered.

344. How did those guns turn out in action?—I am not aware of that. I doubt very much whether those supplies ever found their way into active service. They were tested necessarily before they were received and paid for.

345. Mr. *Otway.*] What has become of them now?—They are at Woolwich.

346. *Chairman.*] Your present system supplied nearly all the guns which were wanted in the war?—All that were ordered during the latter part of the war.

347. Are the artillery officers directed to carry out the terms of the contracts which you make?—The artillery officers are directed to prepare the terms of the contracts, and it is their duty to see if the receipt of the guns are in accordance with the specification.

348. Do they assist you in making the contracts?—They prepare the specifications; all that I do is to carry on the negotiations for the contracts upon those specifications prepared by them.

349. Have you any contracts for guns at present with any large iron company?—I think not. If we have, it would only be the conclusion of contracts made during the war.

350. Mr. *Otway.*] Have you known any complaints made by artillery officers of the cannons thus supplied?—That is a question that would not come to me. If the cannon is received, I should hear nothing of it; and when I do not hear that a contract is not properly fulfilled, I assume that it is.

351. If the contract were not properly fulfilled, you would hear of it?—Yes.

352. *Chairman.*] Are not the contracts for accoutrements made in the same way as the contracts for clothing?—Yes. Tender papers are issued to the manufacturers of accoutrements, and the supply is determined in the ordinary way.

353. Are you acquainted with the contract for accoutrements and horse furniture for the German Legion?—Yes.

354. Was not that a very unsatisfactory contract?—It was very unsatisfactory.

355. Was there any security taken in that case?—It was a case in which the lowest tender was accepted. The house which took the contract for saddlery was a house of standing. There were great complaints of that supply.

356. Mr. *Otway*.] What was the name of that firm?—Bedford & Rand. They complained that the inspection was undue; and they also complained that in the bits the iron ware was directed to be made of galvanized iron, which they did not altogether approve of. It was determined to have galvanized iron, and that made it more brittle than it would otherwise have been. That is the reason for the supply not being so satisfactory as it would otherwise have been.

357. *Chairman*.] Was any fine imposed upon those contractors?—There was a fine imposed upon them.

358. Was not there a contract also as to the clothing of the German Legion, in which the cloth was very unsatisfactory?—I do not recollect.

359. Mr. *Otway*.] In the case of Bedford & Rand, was the lowest tender accepted?—Theirs was the lowest tender.

360. Did they make an appeal against the judgment of the inspectors?—Yes; they expressed themselves dissatisfied with the judgment of the inspectors.

361. Was that opinion of theirs submitted for further consideration to any competent persons?—The opinion of the officers forming the Board would necessarily control the judgment upon a matter of that kind.

362. What Board do you refer to?—The Board composed of the officers of the regiment.

363. Did not they report unfavourably to the contractors?—Yes. I believe there was a good deal of dissatisfaction felt on the part of the German officers. They wanted a particular kind of German saddle and German equipments, and the supply was not in accordance with their wishes; and there was a disposition on their part to cavil at the supply which they received; and Messrs. Bedford & Rand pleaded that as partly the cause of their complaint.

364. *Chairman*.] Were not there any complaints officially made to you upon your exercising your power of fining them?—The contractors, Messrs. Bedford & Rand, were fined, and they subsequently pleaded circumstances of extenuation, which were to a certain extent admitted, and the fine was modified.

365. Mr. *Otway*.] Was the fine remitted?—I cannot say positively; but I can refer to the case, and give the Committee any information upon it at a future time.

366. *Chairman*.] As to ammunition. How is the country supplied with ammunition?—By contract. Sometimes we contract simply for the delivery of gunpowder, the gunpowder manufacturers providing the raw materials, and sometimes we undertake to provide the saltpetre and make a contract for the manufacture of that saltpetre into gunpowder.

367. Mr. *Peel*.] With that exception, does not Government make all its ammunition?—With that exception, Government makes all its ammunition; Government makes all its cartridges and everything of that kind at the Laboratory.

368. *Chairman*.] As to the gunpowder made at Waltham Abbey, do you purchase the materials for that by contract?—The only materials that we have had occasion to purchase for Waltham Abbey have been saltpetre and alderwood; we have not had occasion to purchase brimstone. Government have a supply of brimstone that will last for years to come.

369. Is not the purchase of saltpetre a delicate operation?—Yes.

370. Do you recollect the former practice of the Government respecting saltpetre?—Many years ago, during the time when the East India Company were a commercial body, they were obliged to provide the Government with a certain amount of saltpetre, the Government giving notice when they wanted a store of saltpetre.

371. Are you now obliged to purchase saltpetre by contract?—No, we are not. I think it would be the height of imprudence to make a public tender for saltpetre. A year and a-half ago there was a rumour in the market that the Government were going to purchase a large amount of saltpetre, and the consequence was, that the price advanced 10 *l.* a ton.

372. What is the price of saltpetre now?—Forty-four pounds a ton.

373. Mr. *Liddell*.] Do you employ a broker for the purchase of saltpetre?—Yes. I brought that matter under the consideration of Mr. Monsell. I said that I thought it of extreme importance that a broker should be employed in the purchase of saltpetre; and that the Government should not employ one broker only, but that, as occasion might arise, they should employ several. In that manner some hundreds of tons were bought very advantageously, without its being known that the demands were for the Government. In fact, the seller of the

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saltpetre called upon the broker to guarantee the buyer, paying him a commission for the guarantee; so entirely was it unknown that the Government was the buyer.

374. Is not it the fact, that for the purchase of certain articles it is found conducive to the public interest to employ a broker?—Certainly. I think I should mention to the Committee that (besides buying these few hundreds of tons of saltpetre), when it was found expedient to replenish the store, it appeared to me that the Government might with great advantage make the purchases of saltpetre in Calcutta instead of in London. The Secretary of State approved of the arrangement, and Lord Panmure directed an order to be sent out for the purchase of saltpetre. We bought 2,000 tons of saltpetre in Calcutta instead of buying them in London, and I am satisfied that we saved 8 *l.* or 10 *l.* a ton by that arrangement.

375. Mr. *Otway.*] What do you consider to be the additional cost of freight in that case?—I considered that the cost to the Government had been altogether 31 *l.* 10 *s.* a ton; and when I sent out the order for the purchase of saltpetre, the price at home was 40 *l.* a ton.

376. Had that price been augmented by the idea that Government was going to purchase largely?—I do not know that it had.

377. Is that a fair price for saltpetre?—It is a fluctuating article. If there is the slightest indication of an increase in the demand, it rises materially.

378. Do you consider 40 *l.* a fair price?—It is a high price.

379. *Chairman.*] In making the contracts for the manufacture of gunpowder, do you engage to supply the saltpetre, or do you leave that to the manufacturer?—We have not made contracts to a large extent. There are certain contracts existing in which the Government provide the saltpetre, and there are certain contracts existing in which the Government do not provide the saltpetre.

380. Have you changed your system lately?—No.

381. Was it not always the system to provide the saltpetre?—Yes.

382. Do you allow so much a barrel for the manufacture of gunpowder?—Yes,

383. Have you made any contracts for gunpowder in Belgium?—We have bought gunpowder in Belgium, at two places.

384. Have not contracts for gunpowder been made in America?—We have bought some in America. Those contracts were made during the extreme pressure of the war.

385. Were there not failures in those contracts?—The gunpowder was not so good as we expected.

386. Did not the contractors complain of the saltpetre not being delivered to them?—They did complain that the saltpetre was not issued to them from this country. The issue of the saltpetre was delayed. It was almost a political consideration at the moment.

387. Mr. *Otway.*] Was that article inspected?—When we buy it at Calcutta we take it as it comes; but it was carefully inspected at Calcutta before the purchases were made. We asked the East India Company to allow the superintendent of their factories to examine the quality of the saltpetre; he reported satisfactorily, and it has turned out uncommonly well.

388. *Chairman.*] Will you state whether the contracts made on the part of the engineers for fortifications and barracks, were made through you?—They are made through me and the Inspector-General of Fortifications. The Commanding Royal Engineers of the different districts where the works are to be erected, get the authority of the Secretary of State for the erection of such buildings, and they prepare the specifications and advertise in the locality round the neighbourhood where they reside, that tenders will be received at Pall Mall on a certain day. The tenders for these works are sent to my office, sealed, direct from the parties tendering, and opened in my presence, and if they are below the estimated amount then I accept the lowest tender, provided that the party is represented by the Commanding Royal Engineer of the district, to be competent for the execution of the work contained in his estimate. If the lowest tender exceeds the estimate, it is referred to the Inspector-General of Fortifications, for his opinion as to the propriety of accepting it, and as to how the surplus is to be provided for.

389. Is that the case with all works made within the United Kingdom?—Yes, for all under the control of the Secretary of State for War.

390. Supposing that in a distant part of Ireland you had been building temporary barracks, would all the contracts for those barracks be sent to Pall-Mall?—They would.

391. What security have you as to the competency of a contractor in a distant part of the country?—The Commanding Royal Engineer issues the specifications to certain parties who apply to him for them, and it his duty to make inquiries with regard to the capability of those parties who have requested specifications to be sent to them.

392. Does he give that notice by advertisement?—He issues the specifications by advertisement.

393. And then they are returned to Pall-Mall?—Then the tenders come to Pall-Mall, direct as stated.

394. Does not a great delay in the erection of those buildings arise from sending the tenders for all small contracts to Pall-Mall?—Small contracts are made for triennial purposes with the contractors in different districts for doing any work estimated below 300 *l.*

395. Does not that apply to repairs?—It applies to repairs, or to any works and services under 300 *l.*; he can at all times employ a triennial contract.

396. If there is any work over that amount he must call for a tender?—If there is any work over that amount he must call for a tender.

397. Are not most of these huts and barracks all over the kingdom, temporary?—Yes; they are not taken in the triennial contract at all.

398. Are they all referred to Pall-Mall?—They are all referred to Pall-Mall.

399. Are not you obliged in those cases to depend entirely upon the opinions of the local engineers?—We depend much upon the local engineers.

400. Is not great delay caused in the country by that continual reference to Pall-Mall?—The tenders must be opened somewhere, in order to be notified and accepted, as it were, from head quarters; we endeavour to send the acceptance as rapidly as we can after the receipt of the tenders.

401. Have not persons made great complaints of the delay in the erection of barracks for troops, which has taken place while this operation of sending tenders out has been going on?—Those complaints have not come to me.

402. Mr. *Liddell.*] To revert for a moment to the question of brokers; who decides whether a broker shall be employed in any case or not?—The Secretary of State; I submit to him the names of the brokers. For example, with regard to copper, it appeared to be advisable that we should not issue tenders for a quantity of copper (we had a demand for 300 tons of copper, which, at 120 *l.* a ton, would come to a large sum); and instead of issuing tenders for the copper I went to the East India Company, and ascertained the course which they pursued in such a case. I found that they had previously been in the habit of issuing tenders, and that they had found it best to procure it through brokers; and I found the same at the Admiralty; I then went to Messrs. Baring Brothers & Company, and said to them, "Do me the favour to mention the names of the two most eminent metal brokers in the city of London?" I had my own acquaintance with the metal brokers in the city of London, but I wished to modify my own opinion by the opinion of the mercantile houses of large standing; and I found that the broker employed by the East India Company and the broker employed by the Admiralty was the same party who was named first by Messrs. Barings. I then recommended to the Secretary of State that that broker should be employed by the War Department for the purchase of copper.

403. Do you yourself keep a list of brokers?—The attention of the Secretary of State was drawn to the fact that one broker should not be exclusively employed for Government purposes, but that it was desirable to have a list of brokers for particular supplies, who should be employed from time to time, as occasion arose, and a list was prepared, to be kept in the office and to be acted upon as occasion arises.

404. Has it not been found advantageous in the purchase of coals to employ a broker?—Very advantageous. I have found that we have bought certain coals through a broker advantageously for home delivery, and for the service of the Royal factory; but during the pressure of the war there was a demand for some thousands of tons of coals at Balaklava. We called for tenders in the ordinary way, and one house which was in the habit of dealing largely with the Crown, communicated with me upon the subject, and submitted that if the department would adopt the principle of executing its orders by commission it would be more advantageous. I therefore submitted to Mr. Monsell that we should test the one system against the other, seeing that we were calling for a tender; 1,500 tons of coals were bought upon the principle of tender, and 1,500 upon the prin-

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ciple of commission, we paying a commission for the purchase of the coals, and the party who purchased on commission giving the department the benefit of the discount he received both upon the cost of the coals, and upon the charges of the carriage; and the consequence of that was this, that the 1,500 tons of coal that we bought upon the system of tender cost 3*l.* 3*s.* 10*d.* per ton, and the 1,500 tons of coal which we bought upon commission cost from 57 *s.*

405. Mr. *Tite.*] Was it the same sort of coal in both cases?—The same sort of coal.

406. Mr. *Liddell.*] Are you acquainted with the cost of coals previously to the last war?—No, I am not.

407. *Chairman.*] Do you ever get security in the cases of contracts for the erection of barracks and so forth?—We take security for the erection of all works; but we sometimes find that parties undertake contracts who cannot carry them out, and who cannot find adequate security. It recently occurred that some large works had to be erected at Gosport, and the lowest tender was from a man living in one of the Midland Counties. He was called upon to give a security, and he named a security; but the security declined to sign the bond, and so forfeited the engagement; and we subsequently found that he had put in a low price for the contract and was quite unable to do it; and therefore we were obliged to take it out of his hands and give it to the party who had sent in the next lowest tender, which was one of the largest houses in London.

408. Did I rightly understand you to say that you make inquiries as to the capability of the contractors through the engineer?—The engineer reports his opinion as to their competency; but after the works are commenced we have a deposit upon the work of the contractor which insures his execution of it. In the case I have mentioned we found upon making further inquiry that the man had had the execution of no large work, and it was necessary to cancel his contract.

409. Mr. *Tite.*] Does not the solicitor make inquiry as to the competency of the security?—The solicitor makes inquiry as to the competency of the security.

410. *Chairman.*] In large works in distant places, where immediate work is required, would it not be sufficient for the engineer to ascertain that?—I think where immediate work is required that can be done upon the triennial contract; it is done.

411. Colonel *Boldero.*] Is the contract that you have for the purpose of making gunpowder made by a broker, or is it done by public tender?—It is a matter of negotiation.

412. Were you in office in 1855 and 1856?—Yes.

413. There has been a Return presented to the Committee this morning, in which the expenditure for huts in the years 1854, 1855, and 1856, is stated; it was 38,690 *l.* for 1854-55, and 683,488 *l.* for 1855-56. Can you furnish the Committee with a Return of the number of huts that were supplied to the army in those years, the names of the contractors with whom you dealt, and the prices you paid for each contract?—There will be no difficulty in producing that Return.

414. Mr. *Tite.*] Did you make the contract for the Aldershott Barracks?—The contract for the Aldershott Barracks was made just before I came into the department.

415. Are you acquainted with the contractor who took it?—I know the contractor, Mr. Meyers.

416. Do you know the extent of work contracted for?—I believe it was to a very large extent indeed.

417. Has there been any subsequent contract at Aldershott?—I do not think there has been any extension of the buildings and works at Aldershott; but I am a little doubtful about that; I should like to see the Return before I spoke positively.

418. Has there been any subsequent competition for contracts for buildings at Aldershott?—I do not recollect at this moment, but there may have been.

419. Do you know anything of the complaints made about those huts?—I do not.

420. *Chairman.*] Were the contracts for the huts at the Curragh for the use of the camp made in London?—The contracts for the huts were made in London.

421. Who was the contractor?—There was a person of the name of Robertson, and certain parties in Manchester who made that contract.

422. Has

422. Has there been any subsequent contract made for an increase of the huts?—I do not recollect that there has.

423. Mr. *Tite.*] In such a case as that of the contract for the works at Aldershott, would you apply to the principal builders?—We should advertise.

424. Did you advertise in that case?—We advertise for all works. The rule is, to advertise for building works.

425. And not to adopt an office list?—And not to adopt an office list.

426. Is it done by public competition?—It is by public competition.

427. Did you act thus in the case of Aldershott?—We did act so in the case of Aldershott.

428. Has the practice of giving instructions to contractors for building works, with schedules of prices, been adopted to a great extent?—Not for the sort of works that have been undertaken. They have been adopted for certain buildings at Woolwich, which were erected for manufacturing purposes there.

429. Is there a distinct tariff derived from the normal rate issued by the Board of Works in London?—I am not aware whether it is the tariff of the Board of Works in London; it is a tariff issued by the War Department.

430. The Board of Works have a tariff, and every contract is agreed for above or below the nominal price; is that your practice?—Yes, that is our system.

431. *Chairman.*] Have Messrs. Meyers and Robertson given security for the works which they have undertaken to execute, and to what extent?—They have given security for the works at Aldershott. I do not know to what extent. Generally speaking, it is 10 or 15 per cent. upon the work. The Government adopt this course in general. As soon as the contractor puts himself into action, we have a security. We pay for a certain portion of the work that is executed, and therefore the amount that is left is a security for the final completion of the work.

432. Mr. *Tite.*] Have you any rule as to the amount of security that you require?—I think it is 10 per cent.; it is stated in the specification.

433. With regard to a question which was put to you by an Honourable Member, supposing that you issue a tender for blankets of a certain dimension, and that exact dimension could not be supplied, would a deviation be permitted after the contract was taken, or would you only listen to such a representation before the contract was taken?—If a man took a contract for a thing of a particular kind, we should expect that he would supply it.

434. Do you mean to say that you would not deviate from the specification?—We do not like to encourage contractors to deviate from the specification laid down. They often request that blankets may be received at some abatement of price consequent upon some inferiority of the quality, either in size or character.

435. Do you listen to such requests?—Very rarely indeed.

436. If it were alleged that blankets of that exact dimension could not be supplied, but that they might be supplied three or four inches shorter, would you listen to that representation?—When we make a requirement for blankets, there is always time enough to allow the manufacturers to make them.

437. Would you listen to their representation in such circumstances?—If there were a general deputation from the trade, stating that it could not be accomplished, we should at once give our attention to the matter.

438. Would you listen to that after the contract has been taken?—After the contract has been taken, giving a certain time to execute the work, we should expect them to fulfil the contract exactly.

439. Supposing that a supply of blankets were required, and a man said, "I can produce you blankets of a particular kind, not according to the contract," would you accept his offer?—If they were good serviceable blankets, and the Secretary of State required blankets, he would accept them at a discount, at a proper reduction of price.

440. To whom would that be left?—It would be left to the Secretary of State.

441. With regard to the 150,000 boots which were condemned in your department, was that the accumulation of a number of years?—I imagine that they must have been boots that were ordered upon the breaking out of the war, and probably some had been in store previously.

442. Will you inform the Committee upon that point?—I will inform the Committee upon that point and ascertain when they were made. Upon the breaking out of the war large contracts were made for boots; and they were

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made upon public advertisements; advertisements were put in the papers, inviting all manufacturers to tender for boots, and they were received.

443. How many inspectors would you imagine were concerned in the reception of so large a quantity of boots?—I do not know. That large quantity of boots would not come in at one time; it would be spread over a long series of many months, perhaps two years.

444. Would not they all go to one depôt?—All those boots would in the first instance go to one depôt.

445. Which was that?—It was the depôt at the Tower. But the extreme importance of boots induced the Secretary of State and the Director of Army Clothing to give particular attention to the character of that supply; great watchfulness and great care were shown subsequently in the examination of the boots.

446. Do you mean to suggest that formerly it was done without care?—I do not mean to imply any censure on anybody who had the previous duty to perform. We had to receive boots upon a subsequent occasion that were to be as good as could be furnished to the soldiers.

447. Was the effect of the objection to the material or to the size?—I cannot say. Mr. Ramsay would tell you better than I can, because they are under his special care.

448. Mr. *Liddell.*] Is not very great care and nicety required in the purchase of machinery?—Very great care indeed.

449. Will you state to the Committee the course adopted with regard to machinery?—The superintendent of the department requiring it arranges with the inspector of machinery at Woolwich, Mr. Anderson, the nature of the machinery that will be required for the purpose, and the specification is prepared; that specification is sent up to me with the names of those parties whom they consider to be most competent for the execution of machinery, knowing the peculiar character of the makers of machinery, when tenders are called for.

450. Is that for the construction of machinery?—That is for the construction of machinery. They generally send me the names of two or three houses—probably two or three of the great houses of Manchester. We send the specification down to those parties, and receive tenders from them, and accept the lowest.

451. The machinery is inspected, I presume, like everything else?—The machinery is inspected, like everything else.

452. Where is it inspected?—It is inspected and put into perfect action; it is always part of the contract that it shall be put into perfect action.

453. Is it inspected where it is made?—No; it is inspected and put up, and its capability proved, before the certificate is granted for payment.

454. After the article is delivered is the contractor bound to put it in a perfect state?—Yes. The machinery in the possession of the Government at Woolwich is the most beautiful in the world.

455. *Chairman.*] As to barrack furniture, how are the contracts delivered, and how distributed?—They are made precisely in the same manner as other contracts. There is a list of persons who manufacture chairs, tables, fenders, and fire-irons, and the various things that are required in barracks; and tender papers are issued for them in the ordinary way, and received in the ordinary way, and dealt with in the ordinary way.

456. Is that by advertisement?—No; from the general office list of parties competent.

457. Are all the parties in the list in different parts of the country, or are all these things made in London?—Yes, and the articles are made at various places; they are bought, and are delivered to the Store Department for inspection.

458. Are all deliveries of barrack furniture made in London?—All the issues of barrack furniture are made from the store in the Tower.

459. Are not you liable to mistake in supplying the various requirements (such as chairs and tables, and so forth) to distant parts of Ireland, and all over the country, from the Tower?—There is the necessary expense of transmission, of course, from head-quarters to the districts; but if the barrackmaster, in his responsible station, were to make arrangements there, there would not be a uniformity of pattern; I do not know whether there would be any advantage in its being done; there might be occasionally some little benefit arising, but I very much question if there would be much saved in the expense of the transmission of stores from one part of the country to another.

460. Are not brooms often sent from the Tower to distant parts of Ireland?—I believe we send brooms from the Tower.

461. Is that desirable?—I cannot speak to the barrack supply of brooms; I should say that, in general, the barrack supply should be sent from London.

462. Suppose that carts are made in the Tower and sent to Cork and to Athlone, are they not very bulky articles, which involve considerable expense?—Carts cannot be moved without considerable expense.

463. Is it the custom of the department to make these contracts in London?—In certain cases, in which it appears to be expedient, the barrackmaster is ordered to purchase the supplies on the spot.

464. Are they not very trifling cases?—Yes.

465. Is anything over 5 *l.* ever so purchased?—Yes, sometimes.

466. Mr. *Otway.*] Is it of the slightest importance that such articles as barrack chairs should be all of the same uniform pattern?—No.

467. *Chairman.*] Do not you think that there might be a considerable lessening of expense in that point?—I think it might be necessary to have a lessening of expense in that point; I do not think it is of much importance; I do not think it is a contract of great importance.

468. As to the supply of medicines; how is that done?—I have nothing to do with them. They are got under the direction of Dr. Andrew Smith.

469. As to spirits, what course is pursued?—They are provided by the Commissariat entirely.

470. Do you make no contracts for them?—We make no contracts for provisions at all.

471. As to carriage, what are the contracts made with regard to railroads and other means of conveyance for stores?—That is a matter that is left to the action of the Store Department; that has the general issue of supplies. I have made no contract with the great carrier companies with regard to that. I believe it is an issuing charge, not a general matter of contract.

472. Do you believe it is the better plan to have an issuing charge or to have a contract?—I should think that Pickford & Company or Chaplin & Horne would make an agreement with the officers of stores to carry the stores as advantageously as they would make a contract with me at Pall Mall.

473. As to the carrying of troops, what course is pursued?—That is a matter, I think, which rests with the Quartermaster-General; it does not rest with me.

474. Therefore you have no contract for that purpose?—I have no contract for that purpose.

475. Mr. *Liddell.*] Did not you state that gunpowder has been purchased abroad?—Yes.

476. Does not the sum you have to pay for the risk of conveyance add immensely to the price of the gunpowder?—We conveyed 1,400 barrels of gunpowder from Belgium to London for 1*s.* a barrel.

477. Colonel *Boldero.*] Was not the amount which you purchased on the Continent only purchased on the emergency of war?—Exactly. It is not a matter that will be repeated.

478. *Chairman.*] As to foreign carriage. Are the stores sent out to the different military stations by contracts, or by the Government?—The transmission of stores is an Admiralty charge, and is settled by the Admiralty with the Transport branch.

479. Have you any local contract in the colonies?—There are contracts in the colonies that are frequently sent to me, particularly if any question arises upon them. If there are any questions in dispute with regard to the settlement of any matter in the colonies, I am called upon to give an opinion as to the merits of the case.

480. Are there any local authorities who make contracts in the colonies, or are they sent to you?—They are made by the local authorities, under the Commissariat Department.

481. And they are responsible?—Yes.

482. Mr. *Moffatt.*] With regard to the question of obtaining your supplies by tender and advertisement, you illustrated the superiority of the plan of buying by tender, in the case of some cocoa, on which, by reason of an advertisement going out on the Admiralty system, the price was much advanced; is not it your opinion that the 10 tenders which you would send to the 10 principal dealers in that trade, announcing that you wanted so much cocoa, would be perfectly known in the trade, and would cause the same advance in the price?—If I wanted to buy 150 tons of

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cocoa, I should not send out a tender at all; I should go to some confidential broker in Mincing-lane, who would go into the market, and buy it at once.

483. Would you apply that principle to a large portion of your supplies?—To certain supplies that are bought and sold only by brokers I should apply it.

484. If you were purchasing drugs or spice, would you not apply that principle?—Frequently during the time that the war was going on, when we were purchasing the port wine for the hospitals, the Secretary of State spoke to me about the purchase of wine of a broker, and we bought the port wine at a cheaper rate, and of a superior quality.

485. In point of fact, did not you adopt the same principle that Baring Brothers, or any other firm would adopt, namely, that having received orders to buy a certain quantity of goods, you went to those brokers who you knew would get you best supplied upon the most favourable terms?—Yes, I think that the Government should do so. I think that their dealings should to a certain extent bear reference to a particular course of action.

486. Mr. *Tite*.] In point of fact, is not rum bought by contract?—Rum is bought by contract. The price of rum is generally rising until the period when the contract comes out; and when the contract is settled, the price falls, and during the interim rum may be bought much cheaper.

487. Mr. *Moffatt*.] In all the cases where you issue tenders how often do you issue tenders?—We are issuing tenders every day.

488. Take the case of any article upon which you expend 100,000*l*. in a year; for what value do you issue tenders for that article?—We issue tenders for what we want. If there are demands for 50,000 pairs of boots, or 50,000 yards of cloth, we issue tenders accordingly.

489. How many times in the year would you have to issue tenders for 50,000 pairs of boots?—Probably four times a year.

490. Do you, in issuing your tenders, always make a point, where circumstances will admit of it, of issuing them in quantities sufficiently small not to increase the price in the market?—I do. I should constantly limit the contracts with that view. I may mention the case of blankets. There was a demand for 300,000 blankets during the war. The market was very much excited at the time, and wool sales were going on. To have issued tenders for 300,000 blankets at that time would have enhanced the price materially; therefore, instead of issuing this number, the Secretary for War sanctioned my issuing tenders to parties under contract for blankets, extending previous orders, by which means we bought 300,000 blankets at a reasonable price, as compared with what we should have had to pay had we had a tender; certainly 3*d*. or 4*d*. a blanket was saved by means of that arrangement.

491. In the specified terms and conditions of contract, I observe that the time between the delivery of the goods which you have under tender and the time when it is usual to cash the bills given for them amount to 63 days; could not that time be shortened with advantage to the Government in making purchases?—A period of 30 days was taken in that contract for the examination of the supplies. It is not always used. I should be very glad to facilitate the examination of supplies. The Government hold themselves responsible that the examination shall be concluded in 30 days. There are examinations which are quicker than that.

492. Are there not other delays which keep the contractor out of his money for another 30 days?—There are delays which arise occasionally, and keep the contractor out of his money; that is a matter of complaint. I have made it a point at all times of urging a speedy examination of the supplies.

493. Is it not within your knowledge that similar contracts made in the mercantile world with a desire to pay cash, would be made more rapidly?—There is no doubt that mercantile men will act upon a more prompt system than the Government can. The Government must have full possession of the goods, and must have them properly examined. In mercantile operations there is a general confidence between man and man, and it is to the advantage of each party to maintain that confidence. There is an earlier receipt of money than could be the case with the Government.

494. After the certificate has been delivered of the inspection, are there not 33 days before the party gets his money?—No; according to the terms of the contract it states that the party shall be paid within ten days after the passing of the inspection.

495. Is not the rule this, that the certificate shall be given within ten days?—"Payment will be made to the contractor" "by bills of exchange at seven days' sight." "The stores will be inspected within 30 days of their delivery (except in particular cases where a longer period is herein named), and a certificate passed to the Accountant-general, War Department, Pall Mall, London, within ten days afterwards for such quantities as may have been found of proper quality." Therefore within ten days after the expiration of the 30 days after the completion of the contract, the contractor ought to receive a bill upon the War Office at seven days' sight.

496. Is not it the fact that on the receipt of the certificate a bill is given at seven days' sight; but that it is uncertain at what date it will please Her Majesty's Paymaster-general to sight that bill, and that consequently there is considerable delay, which is not very beneficial to the public service, inasmuch as it makes credit payments of transactions which they desire to be cash transactions?—Bills are given at seven days' sight, and I never heard of the delay in sighting; it would be perhaps desirable to shorten the period if it were found that the forms which appear necessary for the due protection of the public service could be modified with safety.

497. Would it not in your experience be beneficial to the public service, that if they could be shortened, they should be shortened?—Yes, certainly.

498. Mr. *Tite.*] Do you assent to the Honourable Member's proposition, that there may be 33 days between the passing of the inspection and the final payment of the account?—Yes; there are 10 days allowed for the certificate, and then 16 days for the issue of a bill at seven days' sight.

499. You have the charge of all the contracts in buying; have you anything to do with the sale of stores?—I have no responsibility in any auction sale of stores. The catalogues are sent to me. I generally request them to send me a written catalogue afterwards with regard to the price at which the goods are sold.

500. Will you be so good as to state what officer has the charge of these sales?—The Director of stores.

501. Is there any communication made between the different departments, one of which has stores to sell which another may want to buy?—They never sell stores which we want to buy.

502. Supposing that there are some articles which you wish to purchase; is it your experience that before you purchase them, communication would be made to the Admiralty to know if they had any such stores to sell?—Copper and rope, and sometimes rum have been taken from the Admiralty, but generally the nature of the stores which the Admiralty possess would not be wanted by our department.

503. With regard to provisions, might it not be the case that one department had what another wanted?—We never buy provisions; that is the duty of the Commissariat.

504. Might not that have been the case as to stores in the Crimea?—I should imagine that in the Crimea all departments would have acted together.

505. Mr. *Tite.*] Have you ever had to supply hammocks?—I never had to supply hammocks. I have had to supply tents.

506. *Chairman.*] Are there not a great many articles of barrack furniture which you might have to sell which might be wanted by other departments?—There might be; such, for instance, as the iron bedsteads which we have to supply.

507. Mr. *Otway.*] Do you supply preserved meats?—Never.

508. *Chairman.*] If you have things to sell, would you not communicate with the other departments in order to know if they wanted to buy those things?—I should say that it would be done. We have such communications with the Woods and Forests. If we want English timber we do not buy any until we have ascertained from the Woods and Forests whether they have what we require.

509. If your department have anything to sell, would any communication be made between you and the other departments?—I do not know.

510. Mr. *Moffatt.*] In a previous part of your examination you stated that when two men tendered at the same price, it was your habit to take the one who would supply the article best. Assuming other things to be equal, would it not be the most equitable way to divide the contract?—That is often done.

511. Mr. *Tite.*] Do you recollect any sales of hammocks?—I do not recollect any such sales.

512. Mr. *Otway.*] With regard to the boots which you mentioned just now;

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is it not the fact that boots have very much increased in price lately?—Very much indeed. There has been a great advance in the price of the raw material.

513. Under those circumstances, would the difference between the price at which those boots are now being sold and the cost at which you originally procured them by any means represent the real loss to the department by the sale of those boots?—If we had to buy boots for purposes for which these boots might otherwise be applicable, of course we must pay a higher rate for them than we did a year ago.

514. Is it your opinion that the present system of open tender and public competition is advantageous to the public service?—I think that for a large portion of the Government supplies it is the proper system to be adopted. I do not know of any other system which could be laid down with greater advantage. But I think it is a system which should not be rigidly adhered to in all cases, and whenever such cases arise, it has always been my duty to represent them to the Secretary of State.

515. Supposing that Government had a place of deposit for specified articles, and that the price for which those articles were purchased was made known to the public, do not you think that all the world seeing what has been purchased, and at what prices, and the Government being open to general criticism, the Government would have greater facilities for making its purchases?—No, I think that would not be desirable.

516. Do not you think that every person engaged in a particular business, and interested in finding out the best customers in that business (Government being, as you say, the best customer), would be anxious, if possible, to supply the Government?—I think we need not communicate with the whole world for the things that we require for a particular purpose. We ought to take care to have a sufficient amount of competition for such demands as arise. But it is not at all desirable to carry out the idea to the extent to which it is carried in the question.

517. Is the object of competition more than to secure a good article at a fair price?—That is all that is desired to be done.

518. Do not you think that the Government would be protected if every article were exhibited and the price which was paid for it?—I think that the Government would be applied to by all sorts of people who would be making all sorts of proposals, and that there would be no end to the trouble that would arise, and no practical good would result from that plan.

519. Mr. *Moffatt.*] Do you think that in some cases it would be bad economy?—Yes.

520. What objection could you have to the price being known at which you have bought articles?—I should have no objection on my part, either in the event of the purchases being made by special contract or by the intervention of a broker, that the purchases should be made matter of public notoriety.

521. Would you have any objection to that in cases such as you have alluded to, of contracts made by the intervention of a broker?—I should have no objection to it; I do not think that the prices ought to be made public immediately after the conclusion of the bargain, but after the lapse of three months, with regard to such contracts as were made by the intervention of a broker, notice might be given in the "Gazette" of the prices at which they were made.

522. That should not be done till after the completion of the contract?—No; allowing a certain time to expire.

523. Mr. *Tite.*] Do you know that in building contracts that is almost always done by architects?—Yes, I know it is.

524. Mr. *Moffatt.*] Is it done with regard to contracts for fortifications in your department?—It is not; but I believe that after the tenders are sent in to the War Department the builders have no reserve upon the subject; they communicate freely upon the prices offered for the works.

525. Mr. *Tite.*] Are you aware that your practice and the practice of the leading architects and engineers differ upon that point?—Yes; but in that case they send out applications to certain parties whom they name, and invite them all to their office to open the tenders. I can see no objection to that course, as far as the department is concerned.

526. Mr. *Moffatt.*] Do not you see a great probable advantage in it?—I think there is always an advantage in that which is frank and candid; for I hold the opinion that, in trade, everything that is open and clear is advantageous, because it gives confidence and satisfaction.

527. Colonel *Boldero.*] Are you not in the habit of putting out heavy contracts for cloth for the army?—Yes. *T. Howell*, Esq.

528. Do you see any objection to sending out quantities of cloth of a superior quality, such as officers wear, to the distant stations of England and Ireland, and the colonies, to be delivered to them at cost price?—I hardly think that that scheme would be generally useful; I think that officers like to employ their own tailor. 27 February 1857.

529. Are you aware that the East India Company, in all their residencies, have a large quantity of cloth suitable for the officers?—I should have no objection at all to anything that would give the officers a facility for getting their clothing cheaply.

530. Mr. *Tite.*] Do you know whether the East India Company follow the practice of making a contract first for the cloth, and then for the dyeing?—I think that they only contract for the cloth in a dyed state. The East India Company have tried the system of advertisement, and have gone to the system of tender. A question was put as to the instructions which were given to me. I have a memorandum here containing some instructions which were sent to the heads of departments by Mr. Monsell, on the 8th of July 1856.

531. *Chairman.*] Will you hand that paper in?—Yes. (*The same was delivered in.*) *Vide* Appendix.

532. Did not you state that there had been a change in the department last year, the Order in Council of February the 2d, 1856, having superseded the Order in Council of 1855?—Yes.

533. Mr. *Moffatt.*] Does not the change consist in this, that formerly you were the nominal buyer, and now it is the Secretary of State?—Yes.

Martis, 3° die Martii, 1857.

MEMBERS PRESENT.

Colonel Dunne.	Colonel Boldero.
Mr. Stafford.	Mr. Liddell.
Mr. Peel.	Mr. Tite.
Captain Laffan.	Mr. Moffatt.
Mr. Otway.	Sir Charles Napier
Mr. Corry.	Mr. MacGregor.

COLONEL DUNNE, IN THE CHAIR

John Robert Godley, Esq., called in; and Examined.

534. *Chairman.*] WILL you state what office you hold?—I am now Assistant Under Secretary of State for War; I did hold, up to within the last six weeks, the situation of Director-general of Stores. *J. R. Godley*, Esq. 3 March 1857.

535. You have left that department, I believe, now?—I have left that branch of the department.

536. Will you state the duty of the director-general of stores as it was up to the time that you left that branch of the department?—I was asked that question when I was before the Committee last year, and the same answer will apply now.

537. Was there any alteration in the department during your tenure of office?—None, except alterations of detail.

538. Not in the organization of the department?—No.

539. Will you state how the different stores for the requirements of the army are transmitted to your department, and from whom?—They are received from contractors.

540. How is the notice of the contract that you are to receive from the contractors given to your department?—A notice is sent to the store branch by the contract branch at the time of the contract, stating when the deliveries will be due.

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541. Then it was the duty of your department to see that they were delivered at the proper time?—Yes, and to report the contractors if they were in default.

542. To whom did you report?—To the contract branch, where the fines were levied.

543. The fines were levied by the contract branch upon a report by your department?—Yes.

544. When they were received, were they received into the usual storehouse, or was there provision in the storehouses for the reception of the contract?—They were received into the inspecting store first.

545. Was that a store separated from the usual stores of Her Majesty's goods?—Yes; generally one floor in the building. There was never any mixture or confusion between the two.

546. There was such a separation that they were not put among the stores finally received until that inspection was made?—Certainly not.

547. Was that inspection made under your direction?—All the business of the department went on under my direction, and the inspection of course among the rest.

548. It appears from your evidence last year that you were to put in a statement of the organisation of your department, which does not happen in the Appendix. Will you have that prepared?—It can be easily given.

549. You have nothing, I believe, to do with the making of contracts?—Nothing whatever; simply with the receipt, custody, and issue of the stores.

550. When the stores are placed in this provisional store, what is the next proceeding?—They are inspected.

551. Are you aware of the mode in which contracts are made?—Yes, generally. I was examined, in the absence of Mr. Howell, upon the subject of contracts last year.

552. Do you recollect, last year, being examined upon the subject of open tenders?—Yes, I was examined a great deal upon that. I had a great number of questions put to me upon that.

553. Your opinion of that was, that there was an advantage in it?—Yes.

554. Has the experience of the last few months confirmed or altered that opinion?—It has not altered it.

555. Was it the general practice of the department to make use of open tender to the public?—It was always nominally so. There were many more exceptions formerly to the practice of taking the lowest tender than there are at present; but I do not think there has been any theoretical change.

556. Is that not a difference between public advertisements for anybody to tender, and what is called the office list of contractors?—I understand that the office list principle is the one that is now adopted.

557. Was it not adopted last year?—Yes, I do not think there has been any change in that respect. Mr. Howell could tell you a great deal better than I could; but I understand that there has been no change since I gave my evidence last year in the mode of carrying on business in the contract department.

558. Are the Committee to understand that last year it was not by open tender that a contract was made, but that there was an office list on which certain names were inscribed, and that no one but those on that list would receive notice of a contract?—Yes, and so it is now.

559. Did not you, last year, object to that system as not sufficiently public?—I did not object to it. I said I did not know what the reason was that made public advertisements inconvenient, but I was in favour of publicity generally. I thought that the more public they could be the better; but I consider the present system to be almost as public as putting an advertisement in the newspapers, because I think that if you send a circular letter to all the chief people in the trade, that contract is just as public to the trade (which is the only important question) as though you put an advertisement in the paper. I do not think it makes any difference.

560. Would you receive a tender from a contractor whose name was not on the list?—Practically the list contains everybody in the trade who wishes to have Government contracts.

561. Do you consider the publicity sufficient?—I consider the publicity sufficient practically.

562. Mr. *Liddell.*] Do I rightly understand you to mean that if a circular was sent to certain tradesmen asking for a supply of a certain article, and if a tender

tender came in from a thoroughly respectable tradesman in that particular trade, who had indirectly become acquainted with the terms of the Government, offering to supply the articles required, and if his was the lowest tender, would his tender not be received because he was not on the office list?—On the contrary, I believe no person is refused who gives proper references. In fact, I believe we seek to get as large a competition as possible by every means short of putting public advertisements into the papers. I am not aware that we ever refuse offers from anybody who has acquired, indirectly or directly, information on the subject and wishes to tender. Practically, it is so perfectly well known in the trade that that is the custom in the office that I have no doubt that nobody is precluded by ignorance from having his name put upon the office list for his trade.

563. *Chairman.*] In fact, you consider that the present system gives sufficient publicity?—It is practically sufficient.

564. Do you keep any quantity of stores ready for any emergency?—Yes, we do; of course having reference to the perishableness of the article. There are certain stores that will not keep, and we cannot keep a large store of them; but of the stores that will keep we always have a considerable store in hand; generally about two years' probable consumption. It cannot be very strictly kept up, because the consumption varies so much from year to year. It is not always possible to anticipate, and we must have reference to the probable wants of the department as well as to the actual quantities in hand.

565. Are the stores that are kept for public consumption under the custody of your department?—All stores of all descriptions except clothing.

566. Is the clothing under your department?—No.

567. Are the great public stores of the War Department all over London?—All over the world, in every colony.

568. Are there any storehouses peculiarly for the reception of stores sent by contractors?—There are only three receiving depôts, except one at Dublin to a very small extent.

569. Which are they?—The Tower, Woolwich, and Weedon, and Dublin to a very small extent.

570. Are not a great many of the stores for the requirements of Ireland sent from here?—By far the larger portion are sent out from here.

571. Are any large number of stores sent in that way?—Yes; as a rule, I may say that everything, with a few exceptions, goes to London. Police clothing is got in Dublin, and one or two other things, but they are very few; anything material goes to London. Some few things are received in the Dublin store and inspected there.

572. If things are got in Dublin are they sent to the Tower, or Woolwich, or Weedon to be inspected?—Yes, from all parts of the kingdom.

573. Does not that cause a great additional expense?—No doubt; it is against distant contractors; it tells against getting many contracts from people at a distance.

574. Does not it also add to the price the freight and carriage?—They have to compete with people who are nearer, and therefore they would have to reduce their prices to the minimum at which we can get the stores from contractors who live nearer. Practically, the result is that we do not often get from far-off people.

575. The price of the carriage and freight entering into the amount of the contract prevents them from bidding?—Yes.

576. Does not the country also suffer from re-transhipping those stores to the locality for which they are got?—Yes.

577. Mr. *Stafford.*] What are the advantages of that system?—The advantages of that system are, that we are enabled to have thoroughly organised inspecting depôts where we can be certain of having the stores properly inspected, which would not be the case if we had small inspections going on at every station in the country. And also the demands of the service vary so much at the out-stations from time to time, that it would be almost impossible for us to meet the supply at those stations by contracts. It is thought better for us to have great depôts, from which the constantly recurring demands from different stations are supplied, than for to have contracts for delivery at small stations all over the country. We should either overwhelm the small capacity of those stores, which are only able to take a small quantity of stores at a time,

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or else we should under-provide them, and have to supply them after all from the large depôts. On the whole I consider it a better system to have a certain comparatively small number of large depôts, and only to serve the stores to the small stations from time to time as they are wanted.

578. *Chairman.*] Are not there things sent to distant stations which are so trifling that the freight is more than the value of the things themselves; take, for instance, brooms, and barrack furniture, and several things of that kind, that are sent to remote parts of Ireland?—Possibly there may be instances of that kind.

579. Would it be better for the officers there to make a contract upon the spot for those things, and to inspect them themselves?—I think it is very likely in cheap articles it might be to the public advantage.

580. Are you of opinion that brooms, and small things of that sort, might be purchased upon the spot?—Yes.

581. Do you think that the system is susceptible of improvement in that matter?—I think it is very likely that cheap articles of a certain kind might be advantageously purchased on the spot at a considerable saving.

582. Is not there an officer in each barrack who is capable of superintending those matters?—Yes; whether they would be competent to inspect the stores I cannot say; a man may be a very good storekeeper, and yet not able to inspect the stores; it requires considerable mechanical knowledge to be able to judge of the quality of stores, though a man may be a perfectly trustworthy man, and able to keep them.

583. As to those very small articles, are not there always Boards of Officers held, who either condemn or pass those stores, notwithstanding the inspection at the Tower?—I do not think so; I do not know it.

584. As to the issues; on what requisition are they generally made?—On a requisition from the storekeeper; in the first place, the demands are made by the service wanting them; they pass through the office of the director of stores, and are assented to by him, and then they are passed on to the contract department.

585. When the stores leave your custody, to whose custody are they transferred?—They are issued to the services requiring them.

586. On whose requisition?—Requisitions from the troops, it may be, or the navy; whatever service requires them makes demands, as we call them, for stores; and we issue them if they are authorised or regular demands; we supply them to the service that asks for them.

587. Do you not estimate in the store department the necessary demands, and the quantities of each article which are required?—Yes.

588. For the ensuing year are the quantities which are required by the store department sent to the contract department?—They are transmitted to the Secretary of State for authorisation. We estimate what we shall probably want for the year; but when we make requisitions, they do not always correspond with the estimate. We may get a vote to enable us to purchase 50,000 stand of arms, but we may only really want 20,000.

589. Of what estimates are you now speaking?—Of the estimates which are provided annually for Parliamentary purposes.

590. When the estimate is presented to Parliament, it is very likely for a quantity over what will be actually required; but when you come to make contracts for what is actually wanted, who is your calculation made by?—In the first place, a requisition is made by the storekeeper, who is bound to keep a certain quantity of stores, and when he makes an issue, which it is necessary to replace, he demands the article, and that demand comes to the office of the Director of Stores.

591. Does he make the requisition to the storekeeper?—Yes.

592. On what officer?—On the director of stores.

593. Is that transmitted to the contract department?—It has to be authorised by the Secretary of State, and then passed over to the contract department to purchase the article in question, or to the manufactory to provide it.

594. All those requirements are first sanctioned by the Secretary of State before they are delivered to the contract department?—Yes, or by the Under Secretary.

595. Colonel *Boldero.*] Do the heads of all public departments where stores are used send up their requisitions to you, before the Parliamentary estimate is framed, of what they require?—The different departments tell us first of all what they are likely to want for use, and we frame upon that our estimate for the

the year. For example, we find out how many ships the Admiralty are going to arm, and we know what the armament of each vessel is, and upon that we found the estimates of the quantity that we shall require for the year for that service.

596. Is that the basis upon which you work?—Yes, the basis of the estimates prepared by the services.

597. Mr. *Peel.*] Are contracts called for upon those calculations?—Not at all until we want the stores.

598. Mr. *Liddell.*] Who is the person who by authority makes the requisition in the first instance?—The colonel of the regiment makes his requisition for the regular things that he is allowed to have. He is allowed, for example, to have so much practice ammunition. So much practice ammunition is given by the regulation, and therefore when he makes his requisition, it is given as a matter of course. But if there is anything out of the common way required, his demand must be sanctioned at the Horse Guards, either by the Adjutant-general, or the Quartermaster-general, or the Commander-in-Chief, and then it comes to us through head-quarters.

599. So that in all the branches of the service the officer in command is the person who makes the requisition for the store in the first instance, whether it is extraordinary or ordinary?—Yes; but he does not necessarily get it.

600. *Chairman.*] Is the store of ammunition under the charge of the director of stores?—Yes.

601. Who is under him?—The storekeepers at the magazines.

602. Are arms also distributed in the same way?—Yes, every military store of every kind.

603. And also naval stores?—No; only the naval armament stores, the actual fighting stores of the navy, are under our charge. We arm the ships.

604. Those were formerly under the Ordnance?—Yes.

605. All the other naval stores belong to a different department?—Yes; the actual sea-stores, the ropes and timber, and that sort of thing, they get for themselves.

606. Under the present store department there are all those things that were formerly under the Ordnance?—Yes.

607. With reference to a question asked you as to the improvement of the system of purchasing the articles required at out-stations on the spot, have you any opinion to offer?—I should not like to introduce such a system at all largely; I would only do it in the case of very small things—in small, cheap, and common things; because I do not think the proper inspection of stores at the small stations could be provided for, and I should not like to put into the hands of small local officers such an opportunity of jobbing as there would be if they made the purchases on the spot, without any control as to whether the articles were fit for the public service or not. Therefore, it would be to a very limited extent that I should like to see it introduced; and, practically, to a small extent, it is already introduced. We are constantly authorising small articles to be bought on the spot, though I quite admit that I think the system might be introduced further, and that such trifling things as those which you mention might be advantageously bought upon the spot. I wish to guard myself against being supposed to think that the system of buying on the spot to any great extent would be a good thing. I should say that to an extremely limited extent it might be introduced, and only with reference to cheap and common things.

608. As to the articles of which the carriage actually exceeds the value of the things purchased, though small in value, are they not great in quantity?—Yes; how far it could be worked out in detail I could not state at the moment, but I quite agree with the principle that there are articles that might be advantageously purchased upon the spot.

609. Are there not a great many articles of that kind purchased by engineer officers for buildings?—Yes.

610. Are those contracts submitted to the department?—No, the things are got upon the spot.

611. And got by the officers themselves?—Yes.

612. Colonel *Boldero.*] Is not there a schedule of prices sanctioned by the Government?—I do not know anything about the way in which engineers make their purchases, but I cannot conceive that a schedule of prices can be invariably insisted upon, because the prices they pay vary from time to time in various

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various places, and it must necessarily be that at particular times they cannot adhere to the scheduled prices. But I am really not competent to answer the question; I know nothing about engineering purchases.

613. *Chairman.*] Is not this schedule of prices calculated locally, and approved of by the local authorities?—I do not know anything about engineers' prices.

614. Colonel *Boldero.*] Did not you state before this Committee, last year, that the supplies for the War Department were obtained by three separate and distinct modes; namely, by brokers, by an office list, and by public advertisement?—That is the business of the contract department; I think Mr. Howell has given the Committee information about the mode of proceeding in the contract department: my duties simply are the receipt, custody, and issue of stores; I have nothing to do with the purchase of them.

615. Mr. *Tite.*] As to the inspection of goods, is that in your department?—Yes, I know generally all that goes on; but I do not know the exact details as to how the things are passed from one room to another.

616. Is there an inspector in each department; at the Tower, for instance?—There are four inspectors, as we call them, and 42 viewers at the Tower, employed in inspecting the stores.

617. Are they appointed because of their acquaintance with each individual commodity?—Yes. I do not think I can add anything to my evidence of last year upon that subject.

618. *Chairman.*] As to the choice and appointment of those inspectors, on what grounds are they appointed?—They have all been appointed, I think, upon my recommendation, by Lord Panmure; all have been appointed since I have been in the office, and therefore upon my recommendation.

619. Have you chosen them from their knowledge of the different trades whose commodities they have had to inspect?—Invariably, of course.

620. That is the ground upon which they are chosen?—Exclusively, and from their general character and qualification.

621. Mr. *Liddell.*] With reference to a question put to you a little while ago, are not you aware that stores supplied to regiments are subject to the inspection and approval of a Board of Officers appointed for that purpose, before they are taken into use?—I was not aware of that; I do not know what goes on in the regiments: if they have any reason to complain of the stores that we issue to them they make a complaint; but I do not know how they arrive at their opinion of the stores.

622. Does not that Board decide with regard to such articles as clothing and food, and things of that sort?—I have never had anything to do with clothing; I have had to do with accoutrements; but how those proceedings go on in the regiments I do not know.

623. *Chairman.*] Are the accoutrements under your charge?—They are now under the branch of the director of stores.

624. Mr. *Liddell.*] Is it in your recollection that things have been complained of and stores have been returned to the department as rejected by the particular regiment to which they were supplied?—I have no doubt that there are plenty of cases where regiments have complained of the stores, and have returned them; but I do not know, at this moment, more than one. The only one I can recollect is the well-known case upon which Mr. Ramsay was examined at great length last year—the saddlery case at Shorncliffe.

625. *Chairman.*] Was not that a complete failure?—The saddles turned out badly; that is the only case I remember at present.

626. Was there a fine inflicted in that case upon the contractor?—No, they were passed. The fault was with the inspector. The contractor could not be fined when the saddles had once been received.

627. Mr. *Liddell.*] Had the saddles been passed and approved by the inspector?—Yes; but there was a little excuse for them, inasmuch as there was a bad pattern sent in, which was stated by the Horse Guards not to be intended as a pattern. They intended it only as a pattern as regards shape and fashion, and it was taken as a pattern as regards quality, and then the inspector recommended the saddles as being equal to the pattern sent in.

628. Who furnished that pattern?—It was furnished from the Quartermaster General's Office.

629. Mr. *Otway.*] Did I rightly understand you to say that the appointment of all the inspectors was made by Lord Panmure, on your recommendation?—Yes.

630. In what way did you determine the qualifications of those individuals?—In all sorts of ways; by testimonials in many cases, and by experience in others. Some had been proved in other public departments, and their qualifications were well known. The best inspector that we had I think, on the whole, was one who came from the Royal carriage department, where he had been employed in many branches of trade. Others came from the trades out of doors, and had testimonials of their qualifications as buyers in the trade.

631. Is not there a very large power, in the way of approval or rejection of stores, confided to those individuals?—Yes.

632. Have you any reason, generally, to be satisfied as to the competency of those men?—Yes.

633. Was not there a case in which 170,000 pairs of boots were purchased and passed by one inspector, and subsequently rejected by another, by which means a great loss fell upon the public?—Yes, and it was in consequence of that failure, more than from any other cause, that there was a complete reorganisation of the inspecting department, which I went into at great length in my evidence last year. That boot failure, which was a very gross one, led to a complete revolution in our whole system of inspecting.

634. What are the advantages that the changes which you have effected are likely to bring to the public?—Better inspection.

635. Do you mean that better men are employed?—Yes, and more men and better classified men, and a better plan of proceeding generally.

636. Did you dismiss many inspectors?—Yes.

637. And you look for a better class of men?—Yes; the whole personnel is new.

638. Have you since had reason to be better satisfied with the men?—I have every reason to be completely satisfied; for I have had no complaints that I am aware of as regards the inspectors since the new system has been adopted. It is just a year old. I will not say that there may not have been any complaints, but I am not aware of any. I am sure there have been very few.

639. *Chairman.*] Were they not frequently made up to a late period?—Yes.

640. Was not that a subject which had been complained of for many years?—Yes.

641. Mr. *Otway.*] Was not it almost unreasonable to have confided such a duty to men paid at the rate of 35 *s.* a week?—Yes, but that has been completely altered. I was rather afraid that you should complain of extravagance than of economy. Their salaries have been very largely raised, and a much better class of men have been brought on. The inspectors receive up to 300 *l.* a year; from 250 *l.* to 300 *l.* a year.

642. Mr. *Liddell.*] Take the case of boots; would the man who had the preference given him as an inspector of boots be a man who had been brought up to the trade?—He would be a shoemaker. With respect to boots, and clothing generally, I never have had any thing to do with that; but I conclude that the same plan is adopted with respect to clothing as is adopted as to other stores, namely, to get a man out of the trade with which the article is concerned. For example, to examine woollen and linen goods, woollen-drapers and linen-drapers would be selected.

643. Speaking generally, would you say that the inspector is a man appointed for his technical knowledge of the article which he has to inspect?—Invariably; not in the case of the superintendent of inspectors, but in the case of the actual inspector.

644. Mr. *Stafford.*] Who appointed the inspectors of clothing?—I conclude that it was done on the recommendation of Sir Thomas Troubridge. As it was my duty to recommend the inspectors of stores, so I conclude that Sir Thomas Troubridge, who is the head of the clothing department, recommended the inspectors for clothing.

645. Can you furnish to the Committee a statement of the number of contracts which have been violated by the substitution of inferior for superior articles, and the amount of the fines recovered in those cases?—I cannot tell you the number of fines, or the number of rejections. No large contract is ever fulfilled without a certain number of rejections; there is a certain per-centage of rejections with the best contractors. The contractor is supplied with his pattern. If he has 10,000 articles to make of a certain kind, of course there will be some inferior ones; he makes allowance for that; he could not get all his deliveries up to the

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pattern. It would not follow that a contract was improperly or fraudulently conducted because there were rejections.

646. Is not it the fact that the comparative amount of rejections and acceptances in every case is on record in some office?—In every case there is a number of acceptances and rejections. We have 10,000 contracts in a year, and in almost every one of them there are a certain number of rejections.

647. Could a statement in a tabular form be laid before the Committee of the number of rejections, and the amount of the money value of those rejections?—Yes.

648. And the amount of fines that have been enforced?—Yes, the amount of fines enforced; but the fact of a certain number of rejections taking place does not show that the contractor is a bad one, or that he has not properly performed his contract.

649. Mr. *Moffatt.*] Would not the fines levied show that?—The fines levied would show that they had not fulfilled their contracts in point of time.

650. Mr. *Stafford.*] Might there not be a difference of opinion between the authorities of the War Office and this Committee as to the excellence of contractors; for instance, might not the authorities of the War Office or the Horse Guards consider that if 30 per cent. of a contractor's stores were good the contract was sufficiently fulfilled, whereas this Committee might be of opinion that if only 30 per cent. were good the contract was not sufficiently performed?—We should not consider that a contract was fulfilled unless a sufficient number was delivered and passed within the specified time; if 30 per cent. were rejected, of course the contractor, unless he had provided for that by sending in a surplus, would not have fulfilled his contract, and he would be a defaulter; but practically the contractor may send in enough to allow for a certain number of rejections, and though he has rejections he may still fulfil his contract.

651. Might not the Horse Guards, or the War Office, or whatever department might have the determination of the matter, be, for certain reasons, inclined to deal more leniently with contractors than this Committee, or *vice versâ*?—We act by a general regulation with them, and we fine them if they are defaulters.

652. Could a paper be laid before the Committee stating how much of these fines was enforced, and to how much each particular contractor had rendered himself liable by the violation of the terms of his contract?—Yes.

653. Who would be the proper person to go to for that?—The contract branch would give the Committee a list of all the fines levied; the amount of rejections in every case would be got from the store department; you might get the amount of rejections in the case of every contract from the storekeepers department in the Tower; they report the defaulters, and the contract department levy the fines.

654. By whom are the penalties remitted or excused?—I think they are never remitted or excused; before they can be remitted or excused, the sanction not only of the Secretary of State but of the Treasury also is required; and I believe that, practically, it is never done.

655. Mr. *Otway.*] To revert to the matter of the inspectors, I understood you to observe that there would be an advantage to the public from the new system of inspection, inasmuch as much better men were appointed as inspectors; may the Committee infer from that that the men who were originally appointed were inferior men?—I think they were inferior and improper men. I say that without imputing blame to the men; but they had not a sufficiently high class of qualifications.

656. Are you satisfied that the class of men who are now inspectors are fully competent to their work?—Yes.

657. Did not you state that there had been no complaints that had come within your knowledge, or that if there had been any they had been very few?—Yes; I have no doubt that the inspection is carried on satisfactorily now.

658. Has a contractor any appeal from the judgment of the viewers in case he is dissatisfied with it?—Not beyond the superintendent of inspectors.

659. His decision is final?—Yes, unless the contractor appeal to a court of law.

660. Can the inspector reject any amount of stores that he thinks fit?—Yes; I must, however, correct in some measure what I said just now. We have occasionally very rare instances in which an appeal has been allowed; both Sir Benjamin Hawes and myself have had occasion, when a strong *primâ facie* case

was

was made out by a contractor, to have the inspector before us, and to go down and see the things ourselves; not that we should be able to judge of the quality of the articles, but that we might hear what both parties had to say, and see whether there could be a case for going further.

661. How would you have gone further in that case?—We might have allowed the contractor to re-deliver the articles; and supposing we thought that the contractor could prove his case we might have taken steps to relieve him from the liability that he had incurred.

662. Then there is an appeal to you in such cases?—There is an appeal to us, and there may be also an appeal to the Secretary of State. A contractor can write to the Secretary of State; but practically, there has been no appeal to the Secretary of State excepting in three or four instances. The contractors in the last year have considered the decision of the superintendent of inspectors as final.

663. Supposing that an inspector rejected a large quantity of clothing because he believed it to contain a large admixture of shoddy, and that the contractor, being dissatisfied with the opinion of the inspector, appealed to you or to the Secretary of State, you and the Secretary of State being both unable from your position in life to decide upon such a question as the existence of shoddy in cloth, what remedy has the contractor in that case as against the opinion of the inspector?—None, except an action in a court of law; he cannot have any other.

664. Colonel *Boldero.*] Would not he have a referee to decide in such a case?—No, he has none.

665. Mr. *Otway.*] Are you aware that that is the system in the French army?—I have heard so.

666. Have they not arbitration in the French army?—I do not know the system, but I have heard it so stated.

667. Are you of opinion that the present system of competition is advantageous and economical to the public?—I think so.

668. Do not you consider it advisable that the competition should extend to quality as much as to price?—No, I do not think so. I think it is better to give a positive standard of quality as a condition, and then to compete in price. You must necessarily say how good or how bad you will take the article.

669. Is it not the fact that, according to your present system, you have a fixed standard, and the object of the competition is to discover who will deliver the article at the lowest price?—Yes, up to our standard of quality. Supposing that we, by inspection, discover whether the cloth is of sufficient quality, the only thing to look to in competition is the price. But I think that inspection would be altogether defective in ascertaining comparative degrees of quality. If you cannot ascertain by inspection whether cloth, or anything else, is equal to a pattern, you have no means left except to go to contractors of considerable reputation and character, and trust them.

670. *Chairman.*] Do you think that it is the best way to go to men of reputation, and trust them?—No; I do not think that anybody is fit to decide upon the character of tradesmen. I do not think it is a responsibility that anybody could accept with satisfaction, in dealing with public money. I have the strongest possible opinion upon that point.

671. Colonel *Boldero.*] Can shoddy be used in the manufacture of cloth in such a way as not to be discovered, except by the wear of the cloth?—I do not know.

672. Mr. *Tite.*] You said, in your evidence last year, that tradesmen have appealed against the decision of the inspectors in two or three instances; is not that so?—I said just now that there were two or three instances, perhaps half-a-dozen instances, in which we accepted an appeal, and I also stated what we did in those cases. We went down and heard what the contractor had to say, and saw the things.

673. You spoke, in July last, of two or three cases having occurred; have any cases occurred subsequently to that time?—I do not think so. I cannot charge my memory with any case in which we admitted them subsequently to that.

674. Can any one else speak to that point better than yourself?—No, I think not. I can find out, from the inspectors, whether there has been any case in which we have examined them and seen the contractors, since July 1856; but I do not think we have done so.

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675. The witness who was before this Committee on a former day stated that the inspection of certain stores was carried on at the army packer's in Mark-lane; do you know anything of that?—No, nothing.

676. Who would explain that to us?—Mr. Ramsay, the assitant director of clothing. I never had anything to do with the clothing.

677. Mr. *Corry.*] Do you know what is the date of this transaction which has been referred to with regard to the boots?—They were inspected, I think, in November 1854.

678. Was not that before the change of which you have spoken?—It was before I came into office at all, and before the change was made.

679. A good deal of evidence was given last year as to that change; can you state when it took effect?—It took effect just this time last year, and I was examined in July,

680. Mr. *Liddell.*] What was the change in the salary given under the old régime to the inspectors?—The principal inspector, corresponding to what we now call the superintendent of inspectors, had as high a salary as the superintendent of inspectors now has; it was in the salaries of the viewers that the deficiencies were.

681. What was the maximum salary given to viewers under the old régime?—Thirty-five shillings a week, and there were only two who had that; now, six of them have 42 *s.* a week. There are 42 viewers receiving from 42 *s.* to 30 *s.* a week; and four inspectors, who have each of them 12 viewers under them, and who have salaries of from 250 *l.* to 300 *l.* a year.

682. In the early part of the late war was not the old system in force?—It was in force till the end of the war, till February 1856.

683. Now that you have such a superior class of inspectors, who were appointed on account of their technical knowledge of the special articles which they have to inspect, and who would be able to give a judgment as to the quality of the articles, could you not introduce a competition as to quality?—I think it would be too vague; I think it is better to have a standard of a sufficiently good article, and confine the judgment of the inspector to whether an article comes up to a pattern.

684. It is a common thing for a man to go to the bootmaker's and say, "You make a pair of boots for 1 *l.*," and the man next door makes them for 25 *s.*, but his boots are so much better than yours that it is better economy in me to pay 25 *s.* for his boots than 20 *s.* for yours. Why should not that system be applied in Government departments?—I have no technical knowledge of boots; I have not the same means of deciding as to whether the boots come up to a sufficient standard as the inspector who is selected for his technical knowledge, and therefore I am obliged to go to the test of wear. I can get at that if, having ascertained whether the pattern is what is sufficiently good, I have the assistance of a man who tells me whether the stores received come up to that pattern or not. That is more certain than trusting to anything so doubtful and so difficult to ascertain as the value of things taken from a wear. I do not see how you can possibly apply that test, because one man wears his clothes more carefully than another, and even if you compare the reports of a number of regiments as to whether one man wore a coat longer than another, I do not think you could possibly depend upon a thing so vague as that.

685. Do not you think that you might form a fair judgment with regard to the manufacture of clothing by one man, if eight or ten colonels reported that his clothes wore remarkably well, and better than the clothes which had been furnished by another man?—To a certain extent you might.

686. *Chairman.*] Do you think that you would rather depend upon the opinion of inspectors inspecting the clothes before issue than upon the opinions of the lieutenant-colonels whose regiments wore the clothes?—I do not think you could possibly deal with the question of purchase so as to make it depend upon the commanding officers' reports, because the commanding officers' reports would necessarily be vague as regards the proportion between the quality and the price. They would have no means of saying how much better one thing was than another as compared with the price of the things, because, as I said before, two men wear their clothes in a different way. I think it would be much more certain and accurate a test for me to say that the cloth must be sufficiently good, and I think I should have a sufficient test for that in the examination by competent inspectors. Besides, the test by wear would come after the contract

contract was fulfilled, and the things paid for; and you want to know before you take the articles whether they are fit for the service.

687. Mr. *Moffatt.*] Is it your opinion that the regulation of quality by competition would always produce great vagueness?—Yes; I think the present system is better.

688. Do you think that that system would leave room for great misinterpretation and malversation between the inspector and the parties supplying the articles, inasmuch as at the present time it is the duty of the inspector to see that a certain quality is given, and the price is left to th e contractor; whereas in the other case a large power would be given to the inspector to reject or accept according as he thought fit?—Yes, you could not test them then at all; as they are now there are always about 20 different contractors of clothes, and to compare them all, taking into account the price of each one, would be such a fine calculation that I think it would be impossible to make it satisfactory.

689. Do you think that at all events it would be very injurious to the public service?—Certainly.

690. *Chairman.*] As things stand at present, are not the soldiers of the regiments forced to depend entirely on the experience and honesty of the viewers for the clothes they wear?—Certainly.

691. And not on the inspection of their own officers?—No; and I do not see how you could carry that inspection out, because the contracts being made and completed, and it being impossible to tell till six months afterwards whether the things were good or bad according to the reports of the colonels of the regiments, founded on the wear, it would not be of any use as regards the contract, for that would be all past.

692. Under the old system, was not the purchase of the cloth guided by the opinion of the lieutenant-colonels upon the wearing of the cloth that was supplied?—I do not know. I must again say, that I have never had anything to do with the clothing, and that therefore all my opinions upon that point are speculative.

693. Speaking of saddlery, or of anything else, supposing that a complaint is made of it from the regiment, would that complaint meet with any redress if the article has been inspected and passed?—A complaint from a regiment concerning articles which they had received would be at once investigated, and an inquiry would be instituted as to whether the complaint was well founded. We never have complaints from the service without doing that.

694. In the case of the German Legion, the saddles of which were subsequently complained of, were not those saddles passed by the inspectors?—Yes.

695. Were they not objected to subsequently by a Board of Officers?—Yes.

696. Were the saddles removed or changed?—I do not know; but I think the saddles were returned and sold; that is my recollection.

697. Would it not be injurious to the public service, and hard upon a regiment, if they were forced to take bad stores?—Certainly; but they never are; any complaint from any branch of the service as to bad stores is, of course, investigated, and redressed when found to be thoroughly well founded. That is the case in all matters of stores. I have never had anything to do with clothing.

698. Can you state what is the cost of the entire store department?—I could easily furnish a statement of that to the Committee.

699. Is not the cost of that department to be added to the price of the articles contracted for in any calculation of the expense of those articles to the nation?—Of course it must be added to the cost of the stores to the nation. The collective salaries of all the officers employed in the receipt, custody, and issue of stores must be added to the price of the stores used for the service.

700. Are there any stores under a certain price purchased without contracts?—There must be a contract for every purchase.

701. Are not purchases allowed to be made on a requisition to any amount under 50 *l.*?—Yes; the department is allowed to go into the market and buy certain articles; but it is through the contract department that all those purchases are made.

702. If you get a requisition for certain articles of a value under 50 *l.*, do not you make an application to the contract department to purchase them?—That is

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not necessarily done in the case of all articles under 50 *l.* The contract department are judges as to whether an article is so trifling as not to make it worth while to send a circular letter about it; but I should think that they would not go so high as 50 *l.*

703. Do not they buy certain articles through brokers?—Yes, there are certain special articles which they buy through brokers, and there are also certain trifling articles about which they do not send circular letters, but buy them from certain tradesmen.

704. When the new system was adopted in the War Department, was it not publicly stated that the Government would proceed upon mercantile principles?—I am not aware of any such declaration.

705. Do you think that their purchases are conducted on mercantile principles?—Yes.

706. Colonel *Boldero.*] At page 18 of the Report of the Evidence taken before this Committee last year you will find that Question 181 is as follows: "Will you describe the system by which the clothing of the army will in future be provided for?" To which the answer is, "It is proposed that the Government should make contracts for the cloth for the infantry, and after the cloth has been procured it will be examined at Weedon by the inspectors, and then another contract will be made for making up the clothing." Has that system been carried into effect?—I do not know; I never had anything to do with the clothing. I dare say Mr. Ramsay will be able to speak to that.

707. Mr. *Otway.*] With regard to the standard of quality of which you have spoken, has there never been a case in which the inspectors have rejected articles supplied by contractors which have come up to the standard?—Never. It would would be a dereliction of duty if they did.

708. Has there never been any case of that sort to your knowledge?—Of course I cannot say, because I have always presumed that they have accepted everything that came up to the standard. In case of their doing otherwise they would do what they ought not to do; but I have no means of knowing whether they do or not.

709. Then they might have done it?—Certainly they might have done it; and it is possible that they may have done it in some cases. Where they have had a considerable number of articles to examine there may have been some mistakes made.

710. Mr. *Liddell.*] As to patterns. I think I gather from you that indifferent articles have been supplied, the blame of which rested upon the pattern that was furnished having been defective. By whom are the patterns for such articles as saddlery furnished?—They have to be approved by the service for which they are required. The Quartermaster-general's Department would approve of the patterns for saddlery.

711. In case of other patterns than those of saddlery (for instance, the patterns of cloth) are they subject to any inspection before the article is ordered for the service?—There are 8,000 or 10,000 established patterns of all stores in the service, and they are often being added to, and often revised. There is a constant addition going on of patterns for the service; but there are 8,000 or 10,000 patterns, with which stores have always been compared, and which, barring revision, continue to be employed until improvements are introduced from the service, which improvements must be approved by the heads of the service for which the stores are required.

Richard Eaton, Esq., called in; and Examined.

R. Eaton, Esq.

712. *Chairman.*] WILL you state to the Committee what situation you hold?—Storekeeper at the Tower.

713. Have you had long experience in the store department?—I have had long experience in the store department, but not at the Tower. I have been only recently at the Tower.

714. Will you state the department that is at present under you at the Tower, and the duties of the office in that department?—It is the receipt, custody, and issue of stores.

715. Will you state how those stores are received from contractors at the Tower?—They are delivered by the contractor into the hands of the viewers, and passed

passed by the inspector to me; previously to that they are not in my custody at all.

716. When they are first delivered in, in whose custody are they?—They are nominally in my custody, the viewer gives his acknowledgment for them, and they are considered as being in my charge.

717-18. They are first placed in the charge of the viewer for his approval, and when viewed they are passed to you by the inspectors?—Yes; and when they are passed there is a notice sent with them, signed by the inspector who passes them.

719. In the first instance, from what department does the contractor bring a note?—He brings the delivery note himself, or it is sent by his servant or agent who delivers the stores.

720. And you are prepared by the previous notice for the reception of these goods?—That is the first intimation we have of the delivery of them. We are aware of his contract.

721. In the store in which they are first placed the inspector views them?—Yes.

722. And having viewed them, what happens then?—They are transferred into my charge; a transit note passes and the stores pass by that document, into a daily record of the reports of the inspectors, and become my charge.

723. What are the duties of the inspector; what is he obliged to do before he gives the transit note to you?—He has the stores that are passed by the viewers before him for inspection, and those only that are accepted are passed into my charge.

724. Do the viewers compare them with the pattern?—With the pattern, and with the specification.

725. When the goods are passed into your store, do you give a certificate to the contractor?—Yes; they are sent in different deliveries probably, and when a sufficient number has been delivered, we give a certificate, and upon that certificate the contractor is paid.

726. Deducting any articles that are not accepted?—Of course; we only give a certificate for what are accepted.

727. Payment is made upon that certificate?—Yes.

728. You have nothing to do with the payment?—Nothing.

729. Are there inspectors appointed for the general reception of goods?—There are inspectors appointed for the reception of each article; which are classed in four divisions.

730. What are the articles received at the Tower?—Barrack stores, and all stores in fact, except clothing, and shot and shells.

731. Are accoutrements included?—Yes.

732. Are there viewers of accoutrements?—There are viewers of accoutrements.

733. Sir *C. Napier.*] Where are shot and shell received?—At Woolwich.

734. *Chairman.*] Are saddlery received at the Tower?—Not now.

735. Are arms received there?—Arms are received there.

736. Have you viewers for arms?—Yes. They undergo an inspection before they are sent to us; our inspection of the arms is confined to their number; they are inspected under the superintendent of small arms.

737. At what place are they inspected?—At Birmingham for the deliveries there, and at the Tower for deliveries from the London trade.

738. Is there a viewers' department for the small arms?—Yes.

739. When they have passed through that they are inspected as other stores under you?—Precisely so, but only as to number.

740. Do you receive arms from Enfield?—No; we have received none from Enfield at present.

741. Then they are distributed to the different stores in which they are kept?—Yes, into the different buildings.

742. Will you describe how the issues are made?—They are made upon the authority which we receive from Pall Mall, from the War Department.

743. Do you consign them to the different storekeepers?—We consign them to the different storekeepers, if they are for store supply, or to a regiment, if they are for regimental supply.

744. Do you do that on requisition?—Yes.

745. Are those requisitions sent to you?—No, I do not get the requisitions direct;

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direct; I only get the orders from the War Department directing me to send so many arms, or whatever it may be, to such a service.

746. You have nothing to do with any of the stations for the supply of which the stores are sent?—No.

747. Are there not an immense number of very small articles sent to distant stations?—Undoubtedly there are small supplies sent to a considerable distance.

748. Are not the freights often more than the value of the articles sent?—In some few instances they might be, but not as a general rule.

749. Are you able to form an opinion whether there are articles which are of so little value that the freight is nearly equal to the value of the articles themselves, which might be better bought at the places where they are required?—I think that is occasionally done. I merely speak as to the purchase of small articles.

750. Do you think that that has been ever done?—Occasionally; it was more done than it is now. I think it has been done less since the separation of the principal storekeeper's department from our department—the director of that branch being taken to Pall Mall. There is not that frequent local purchase that there used to be.

751. Are you able to form any opinion whether the public would gain more by local purchases than by having central establishments for small articles?—Generally speaking, for all barrack stores, I think it is extremely desirable that the barrack supply should be uniform, because if any damage is done to the articles the soldier has to pay a certain price.

752. Do you prefer the present system?—I prefer the present system.

753. Mr. *Liddell.*] Did not you state that there were two descriptions of stores, namely, saddlery and clothing, that were not received at the Tower?—Yes; they are received at Weedon.

754. Mr. *Tite.*] What inspection takes place at the office of the Government packer of clothing?—I have nothing to do with that; that is in the clothing department.

755. Sir *Charles Napier.*] How many inspectors are there at the Tower?—Four.

756. Who appointed them?—Lord Panmure had the final appointment; they were recommended by Mr. Godley.

757. Who is he?—The late director of stores.

758. Have they any other duties than the inspection of stores?—No.

759. Are they constantly employed?—Constantly.

760. What line of life are they chosen from generally?—They are brought from the trade, some of them. There is one very good inspector, who was brought from the Royal carriage department at Woolwich.

761. Mr. *Tite.*] How many sub-inspectors have you?—There are 42 viewers.

762. Sir *Charles Napier.*] Are they in the Tower?—Yes.

763. Is there occupation for all those people?—We have been obliged to have extra ones lately, in consequence of the stores received from the East.

764. Are there any other depôts of stores in the kingdom than at the Tower?—There are very large ones.

765. Where are they?—At Portsmouth, Devonport, Chatham, and several other places.

766. Are all the stores necessary for those branches of the War Department sent from the Tower?—Yes, all the stores that we call Tower stores; which include everything except saddlery and clothing, shot, shells, intrenching tools, and ordnance.

767. Would there be any difficulty, when a contract was made for stores, in sending the quantity that was required for those places direct to them, instead of sending them to the Tower, and back again to the different places?—There would be an inconvenience, from the fact of the requisitions at those places being so uncertain as to amount. We have a depôt to meet all requisitions.

768. Do you never send any stores from the Tower till you get requisitions from the outports?—Not until we get authority from Pall Mall.

769. The requisitions from the outports go to Pall Mall, and then from Pall Mall to you, and you send the stores to the outports?—Yes.

770. Is not there a considerable expense in sending them to the outports?—Not greater than if they had been sent there by the contractors.

771. Do not they travel twice; from the contractor to you, and from you to the

the outports?—Yes; but otherwise we should be obliged to send inspectors from the Tower.

772. *Chairman.*] Is not considerable expense incurred that way?—Considerable expense is incurred.

773. Could you calculate what the expense of freightage upon those articles sent in that way is; is it five per cent.?—I can hardly give an opinion off-hand; but I do not think it is so much as that.

774. Sir *Charles Napier.*] Are the inspections at the Tower made with great care?—Very great care, I believe.

775. Do you yourself ever look into those stores to see that they are properly inspected?—No, I do not; the superintendent inspector does that. If I had occasion to find an article in store defective, his attention would be called to it.

776. Are there any store receivers separate from the officer in your department?—No; we have a receiving branch, consisting of a senior clerk, with a staff under him. When the stores are brought from inspection, they are passed through that branch.

777. Then they are delivered into your charge?—Yes.

778. Has that clerk any responsibility?—Only a nominal responsibility; he gives no security.

779. If he saw that the stores were not right, would he report to you, or take them as a matter of course?—In that case he would not give a receipt for them.

780. Mr. *Vite.*] That is only in case of a numerical error?—Yes.

781. Not as to quality?—No, we depend upon the inspectors for that.

782. Suppose a number of blankets are received, and handed to the viewer, is every blanket examined separately?—Yes.

783. If he finds any of them defective, what is done?—They are thrown on one side.

784. Is the viewer called upon to report the fact?—He reports the fact to the inspector, and he looks at them, and satisfies himself whether the report is correct.

785. What does the inspector do then?—The blankets are thrown on one side as rejections. Those that are accepted are passed into my charge, and the contractor is called upon to replace those that are rejected.

786. Is there any appeal in the event of its being suggested that they are unfairly inspected?—No, I am not aware that there is. There have been one or two instances in which complaints have been made, but I do not reccollect any case in which they have been supported.

787. In the main, you consider it your duty to stand by the inspector?—Yes.

788. If there is a *primâ facie* case originated and reported to you on the part of the inspectors, whom would that come to?—The superintendent of inspectors would report it through me to the director of stores.

789. Is there any one in the position of an umpire to whom the contractor might appeal?—No.

790. In theory the rejection by the inspector is final?—Exactly so; at least I am not aware of any exception.

791. Sir *Charles Napier.*] Were you storekeeper when the 170,000 pairs of boots were received that were afterwards rejected?—That took place just as I joined the Tower.

792. You were not present at the time?—No.

793. *Chairman.*] Were not you at Devonport at that time?—Yes.

794. Sir *Charles Napier.*] Was any fault attached to the storekeeper in that case?—It is not his duty to exercise an opinion upon that point.

795. Captain *Laffan.*] You had nothing to do with it?—No.

796. Colonel *Boldero.*] Are the inspectors at the Tower under your orders, or are they independent of you?—They form part of my office; that is part of the new system.

797. Do you hold yourself responsible for their conduct?—The superintendent of inspectors is responsible for any breach of duty on their part, and he reports to me.

798. Captain *Laffan.*] Do I rightly understand you to say that if the viewer condemned articles, and if the inspector agreed with the opinion of the viewer, and the superintendent of inspectors agreed with them, it would be competent to you to overrule their opinion?—Certainly not; I have no voice in the matter.

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799. Then in point of fact, in their capacity of viewers and inspectors they are not under you?—No, except in cases of misconduct; they are under me as the principal of the department.

800. Do not they do their duties independent of you?—Perfectly so.

801. *Chairman.*] If you found subsequently to receiving stores that have passed the viewers that any of them had been carelessly passed, would it be your duty to report that circumstance?—It would be my duty to call the attention of the superintendent inspector to it.

802. Mr. *Otway.*] Would not that seem to require some judgment in you as to the quality of the article?—It would only be a gross case that would catch my attention. I do not profess to look after the quality of the articles.

803. Do not stores of some kinds deteriorate very much by keeping?—Yes; steel articles and goods of that description will deteriorate, unless they are kept in a proper place.

804. Mr. *Liddell.*] Are the stores of edge tools for the army supplied from the Tower?—Yes.

805. Do you remember any complaints having been made against the tools that were furnished to the army in the Crimea?—That was before I was at the Tower.

806. *Chairman.*] Who was your predecessor there?—Mr. Stacey.

807. He has left the service?—Yes.

808. Mr. *Otway.*] Is he in London?—He is in the neighbourhood of London.

809. Captain *Laffan.*] In the course of your service, have not you heard numerous complaints of the quality of the edge tools (the pickaxes, and things of that sort) furnished to the public service by the store department?—Yes; and I have seen some very indifferent tools indeed in the performance of my duty at Devonport, which had been received from the Tower, years ago.

810. Mr. *Otway.*] During the time that the tools are in your keeping, are they examined from time to time?—They are wrapped up and laid aside; they are carefully put away.

811. Does any examination of them take place while they are under your custody?—No; if they lay there for a length of time they would most likely be examined.

812. What should you consider the length of time during which steel articles lie in the Tower?—I dare say, in the common way, they would not be removed for six months.

813. If steel articles remained six months without being looked at, would not they be likely to get rusty?—Not if they were put in a proper place, and the necessary precautions taken.

814. Has it occurred to you in the service, that after edge tools have been passed you have not issued them because you thought them unfit and improper?—No.

815. *Chairman.*] Has not there been, until lately, a general complaint of the edge tools furnished by the War Department?—Yes, until the commencement of the war.

816. Were not they found to be very inferior articles both at the Cape and in the Crimea?—Yes, I have understood so.

817. Do you think that a superior system of examination will secure a better quality?—Yes.

818. Mr. *Corry.*] Does an inspection as to the quality of stores take place at the Tower?—Yes; everything that is delivered at the Tower always undergoes examination at the Tower.

819. *Chairman.*] Could you describe to the Committee the old method of inspection, before the new system came into operation?—I cannot give an opinion upon that point; I knew little of the proceedings at the Tower till July 1855.

820. Sir *Charles Napier.*] Has the system of inspection been changed since the irregularity took place about the boots, or is the only difference in the class of persons who have been made inspectors?—The system is altogether changed.

821. Is it better now than formerly?—Yes.

822. Has not there been a great quantity of stores returned lately from the Crimea?—A great quantity.

823. Where were they landed?—At the Victoria Docks principally.

824. Have they been sold there?—A great many of them.

825. Who

825. Who has the charge of selling them?—They are in my charge; but I have a clerk in charge at the Victoria Docks.

826. Were not they sold by public sale?—They were sold by public sale; they have all been inspected by the inspectors, and those that were pronounced good were brought into the Tower for future supply.

827. Had not some of them been much damaged?—Yes; and many of them were obsolete and unserviceable from other causes; all such were sold.

828. Have not a great number of things been sold that were in a perfectly good condition?—In the first instance there were some.

829. Do you know what sort of prices they fetched generally?—We considered that they fetched very fair prices.

830. Could you put in a return of the qualities of those articles sold, and the prices which they brought?—I could give you the catalogues; it would be a tedious process to make a collected account of them and of the prices realised in each case; the prices have varied so much, as well as the condition of the stores.

831. Sir *Charles Napier.*] Were they sold in large lots?—They varied in that respect; in the case of bedding, 200 to 500 were sold in a lot.

832. Were not the different articles put up separately?—Yes.

833. *Chairman.*] Could you furnish the Committee with a statement of the total amount of each article that has been sold, and the average price at which it was sold?—There would be some difficulty, because some of them have been in tolerable condition, and others have been in bad condition.

834. Could you distinguish between damaged goods and those which were not damaged?—Yes, I think I might; but it would be a tedious business.

835. Mr. *Liddell.*] What is the longest time, within your own knowledge, that perishable articles, such as cordage, or canvas, or blankets have been kept before being issued or sold?—I do not know that I can state that with accuracy; I have known stores of the description referred to, rope, and canvas, and so on, that have been kept as long as six years.

836. From your knowledge of these matters, should you suppose that those articles were much deteriorated by being kept for that length of time?—It was not the case in the instances which I recollect.

837. *Chairman.*] Would not that a great deal depend upon climate?—Yes; the West India climate is generally trying.

838. Sir *Charles Napier.*] Had any of the stores that were sold in the Victoria Docks been used by the men?—Yes.

839. They were unpacked in the Crimea?—Yes, some of them had been.

840. Were there not many stores that were sent out to the Crimea that were not unpacked, but returned to the docks in the same state in which they were sent out?—Yes, a great many.

841. *Chairman.*] Could you give a statement of those which were unpacked?—I do not think we could.

842. Captain *Laffan.*] Is it not the fact that one of the reasons why a large proportion of those stores was sold was, that you had no store for them?—The instructions which I received in the first instance were not to keep more than 18 months' supply, and therefore we sold the stores without reference to their condition; we looked upon them as surplus, and sold most of them; but I found myself deceived in one article, and I went beyond my instructions, and kept two years' supply.

843. What do you mean by saying that you were deceived?—I referred to the article of rugs; they were introduced, just as we began to sell at the Victoria Docks, for camp equipage, and were issued with the tents; and therefore I found that my calculation as to 18 months' supply was a wrong one; in fact, in a very short time 15,000 or 20,000 were required unexpectedly.

844. *Chairman.*] Were these stores sold by auction or private sale?—By auction.

845. By public advertisement?—By public advertisement.

846. Mr. *Otway.*] Do the stores come in to you in very large quantities at a time, or do they come in continuously during the year?—We generally put forward our store requisitions for the year's supply about this time, or a little in advance, when the estimates are granted.

847. Do you get the whole of your stores at once?—No; they are spread over a certain time; generally a period of four to six months, or something of that kind.

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848. Sir *Charles Napier.*] Did not you say that guns and mortars are all received at Woolwich?—Yes.

849. Are they under your charge?—No; they are under the charge of the storekeeper at Woolwich.

850. Mr. *Otway.*] Does the rule of keeping 18 months' supply apply, without exception, to all articles in your custody?—No; it was only on the return of the stores from the East that those instructions were given me.

851. Then for 18 months did you call for tenders for further supplies?—Only to a very small extent, for articles that were specially wanted; there were no tenders called for for any articles that were returned from the East in a serviceable state.

852. Mr. *Liddell.*] Have you had a great amount of stores of all descriptions returned from the East?—A large quantity; I think in some articles we have had much more than 18 months' ordinary supply; but in some instances we have kept in store a quantity beyond 18 months' supply.

853. Have you those goods in store now?—Yes.

854. They will only be issued when wanted?—Yes; when orders are received for them.

855. Is not there a danger that many of those stores will be found to be deteriorated when they are wanted?—Before we take them into store they undergo examination; in some instances the blankets returned from the East were more or less damp, from having been the voyage out and home.

856. Were those blankets disposed of?—They were.

857. *Chairman.*] Were any of the articles which came home from the East articles of clothing?—There were some articles of clothing.

858. Were they sold?—Some articles of clothing were sold.

859. Was the saddlery sold?—I do not recollect any saddlery coming from the East at all.

860. Mr. *Tite.*] Were any hammocks sold at all?—I cannot answer that question; I do not recollect.

861. *Chairman.*] Was there any notice given to the other departments of the Government who might want those stores which you sold in order to ascertain if any of those articles could be transferred to other branches of the Government?—With regard to the stoves which the Board of Works have taken from us, it was so.

862. Supposing that another department wanted those things, was any communication made to that department to induce them to take them?—When we had any doubt about a store we referred to the War Office at Pall Mall for instructions.

863. You do not know what proceedings were taken upon that?—Not exactly; reference was no doubt made to the army, medical and other departments.

864. Colonel *Boldero.*] As to the process of the rejection of supplies, supposing that a contractor delivers 1,000 shakoes and 1,000 sets of accoutrements into the stores at the Tower, and your inspectors reject them all, what steps are taken after that?—The contractor is called upon to replace them by those of the proper pattern.

865. Are the reasons why they are rejected given to him?—Yes, he has notice of the rejection. If the reasons are not understood, they are explained to him on application to the office of the superintendent of inspectors.

866. Are any reasons assigned in writing why the stores are rejected?—I think the superintendent of inspectors will be able to answer that question better than I can.

867. If the contractor is dissatisfied with the inspection, and considers his goods equal in quality to the pattern article, has he any remedy?—By application to the War Office he probably might get a remedy. I am not aware of any instances (with one exception) in which a revision took place. In that case Mr. Godley and Sir Benjamin Hawes came to the Tower and examined into the matter.

868. In that case what was the amount of the contract?—That I cannot tell.

869. What was the quantity that was in dispute?—I do not recollect the quantity.

870. Mr. *Tite.*] Was that appeal successful?—I am not prepared to say.

871. Colonel

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871. Colonel *Boldero.*] Do not you think that it would be advisable to give the merchants some court of appeal, or some opportunity of appealing to referees?—Those referees would naturally be from the trade; that is to say, from the trade of the party who had made the delivery, and they would naturally be inclined to favour the contractor.

872. Would that be so if the department had the selection of them?—I am not able to answer that question.

873. Mr. *Tite.*] Suppose you were overstored with blankets that were set aside for sale, should you communicate with the Admiralty, to know if they wanted what you were going to sell?—That has not been our practice.

874. Has it been the practice with regard to any other article?—I am not aware of any instance, except that of the stoves which I have mentioned, which were taken by the Board of Works.

875. Sir *Charles Napier.*] What sort of blankets were sent to the Crimea?—I cannot tell the quality. A great many have come back, which are very indifferent.

876. How were they sent?—They were sent from the Tower, I apprehend; but I was not storekeeper then.

877. Who was storekeeper then?—Mr. Stacey.

878. Captain *Laffan.*] Has not he retired from the service?—Yes, he is very old, and infirm.

879. Mr. *Tite.*] Is Mr. Stacey unfit to come before this Committee?—I cannot say.

880. *Chairman.*] Was he the man who was responsible for the inspection of those blankets?—No, he was the storekeeper.

881. Mr. *Tite.*] It is alleged in society that good stores have been sold by your department for a mere song, which have been bought by contractors, and then re-supplied to another department. Suppose blankets came home from the Crimea in a good state, was it possible, under the instructions that you received, or was it otherwise, that those blankets might have been sold by your department and then re-supplied under the circumstances which have been suggested?—I do not think it could be proved that good blankets have been sold to any extent.

882. Is that the case with any other article?—It is not the case with any other article.

883. Do you think that that allegation is true or untrue?—It is untrue.

884. Is there any means of communication between the departments to prevent the possibility of such a mistake?—No, there is not.

885. Mr. *Corry.*] Would not old articles of that description have the Government mark upon them?—A great many of them would.

886. In that case would not the different Government departments at once know that they were Government stores?—They would know that they were Government stores.

887. Mr. *Tite.*] Is there any system to prevent the possibility of such an occurrence?—No, the mark would prevent their being received by the navy, because they would be marked with the broad arrow.

888. *Chairman.*] By whom were those returned stores inspected?—By our present inspectors. They could give an account of them. It is upon their report of inspection that they were sold.

889. Mr. *Tite.*] Would the fact of their having the Government mark be any objection to their being received by any other department, if they were in a good state?—No; but it would be for the Admiralty to decide whether they should take them.

Charles Sandys Elliott, Esq., called in; and Examined.

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890. *Chairman.*] WILL you state what your position is?—I am Superintendent of Inspectors at the Tower.

891. What staff have you under you for inspection?—I have four inspectors and 42 viewers of stores.

892. Are those inspectors appointed over different branches of stores?—They are.

893. Can you state what your duties and those of the viewers and inspectors are?—My duties are to superintend generally the conduct of the inspection

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branch. There are certain rules laid down for the guidance of the inspectors; and it is my particular duty to see that those instructions are carried out.

894. At what period did your duty commence?—In the early part of February 1856.

895. Then your functions were not exercised during the war?—They were not.

896. Do you know anything of how the inspections were made at that time, or how the stores were sent to the seat of war?—Incidentally I do, but not officially.

897. Who was your predecessor, and who was the person superintending the sending of stores to the Crimea at that time?—Before I came into office there were three inspectors.

898. Will you name them?—Mr. Pew, Mr. Saffery, and Mr. Davies.

899. Are they in the service now?—Mr. Pew and Mr. Saffery were superannuated, and Mr. Davies went into the East India Company's service.

900. Is he in London?—Yes, in the Store Department of the East India Company's service.

901. Sir *Charles Napier*.] What are the ages of Mr. Pew and Mr. Saffery?—I do not know. Mr. Pew had been 46 years in the service. He had had great experience, and he was considered to be very well qualified for his position.

902. Do you suppose that he was 70 years old?—He was about 65; but I cannot state his age with certainty.

903. *Chairman*.] Are there any rules laid down and authorised by the War Department which have been given to the inspectors to regulate the carrying out of their inspections?—Yes, there are written instructions.

904. Can you furnish the Committee with a copy of those written instructions?—I will.

905. When goods are received by your department, where are they placed?—In the first instance they are delivered by the contractor on the inspection floor.

906. What proceeding is next taken?—The delivery voucher is sent into the Storekeeper's Office, and the contractors are credited from the day on which the goods are received.

907. Do you then proceed to the inspection?—Yes.

908. How do you inspect the goods?—Both as to quality and shape. We have patterns and specifications for our guidance in the examination of everything that is delivered at the Tower.

909. When are the patterns delivered to you?—The generality of the patterns have been of long standing. The greater portion of them were adopted for the service in 1827 and 1828. Since that time some patterns have been added, and others have been revised.

910. What is the range of the articles received at the Tower?—It is very extensive, and comprises barrack furniture and utensils, machinery, tools, camp equipage, accoutrements, and miscellaneous stores.

911. Mr. *Tite*.] Are they not comprised in four divisions?—Yes; the first division is woollen, linen, and cotton articles.

912. *Chairman*.] Does that include clothing?—Hospital clothing only. All other clothing is delivered at Weedon.

913. What is the next division?—Brushes and miscellaneous stores.

914. Does not that include camp furniture?—Yes; it includes brushes, miscellaneous stores, furniture, and cooperage. The next division is that of tools.

915. What is the fourth?—Leather and accoutrements.

916. In what division is saddlery included?—We have no saddlery at the Tower. That is inspected at Weedon.

917. Have you any clothing at the Tower?—Only hospital clothing.

918. Have you any power over the inspectors at Weedon?—None whatever.

919. Your duties are confined to the Tower?—My duties are confined to the Tower.

920. Having received any of the articles under each of those heads; do not the inspectors and the viewers in each class look at them with the pattern?—Yes, the viewers examine every article separately, and compare them with the patterns and specifications. The result of such examination is then submitted

to

to the inspector, and is either approved or disapproved as the case may be. The viewer submits the stores to him.

921. *Chairman.*] Does the inspector go generally over them?—Yes; he satisfies himself that the whole of the stores are such as they are represented to be, and then he reports upon them.

922. Does the viewer go through each article?—The viewer examines every article and compares it with the pattern and specification.

923. And the inspector satisfies himself as to whether they have inspected the goods properly?—He does so.

924. What does he do then?—He makes a report stating what quantity has been received and rejected, and assigns in the margin of his report the causes of rejection. The contractors are then furnished with a copy of the causes of rejection and a statement of the number of articles rejected.

925. Are the goods then passed into the general Store Department?—The accepted articles are sent into store, and brought on the storekeeper's charge.

926. Mr. *Liddell.*] Is every contractor furnished with a statement of the number of his articles received and the number of his articles rejected, and the reason why the articles which were rejected were not taken?—We do not give him an account of the number of articles received. We only give an account of the number rejected.

927. Do not you give him a receipt for the full number received?—The storekeeper does that upon their first reception.

928. Upon your giving the contractor a list of the articles rejected and the reasons why they were rejected, does he send somebody to the Tower to examine whether the statements made in the paper are correct?—In some instances he does, in others he accepts the inspector's report without making any question about it.

929. Supposing he does not concur in the opinion of the inspector and he thinks that his articles are good, what course does he follow?—There are two courses open to him; one is to attend at the Tower and have the defects pointed out to him, the other is to appeal to the Director-general of Contracts or the Director-general of Stores.

930. Supposing that he proceeds by the first of those courses, and has the defects in his goods pointed out to him, and still is of opinion that they are not rightly rejected, what is his course?—He appeals to the Director-general of Stores.

931. What follows then?—The correspondence is forwarded to the Tower for any observations we may have to make, and the result of the report is communicated to the contractor.

932. Who is that report drawn up by?—By me.

933. Do you examine the articles and report to the Director-general of Stores?—Yes.

934. And he acts upon your report?—He acts upon my report, unless he sees reason to institute further proceedings.

935. Mr. *Otway.*] Has that ever been done?—Yes, in three or four instances.

936. *Chairman.*] Is the opinion of the Director-general of Stores final?—Yes.

937. Mr. *Otway.*] How can the Director-general of Stores give a decision contrary to the man who is originally appointed to decide the matter, and who is declared competent to decide it?—The Director-general of Stores has not done so, except in one instance. There have been two or three inquiries, but in only one instance has he reversed the decision of the inspector.

938. *Chairman.*] Was that a case of extenuation or of actual contradiction?—It was rather a case of extenuation; there was a defect in the pattern, and the Director-general considered that the defect in the pattern would enable the store to be passed.

939. Was that the case of the saddlery for the German Legion?—No.

940. Who were the persons concerned in that case?—I do not remember.

941. Mr. *Otway.*] What was the article that was rejected in that case?—Some japanned pouches supplied by Mr. Colt were rejected by the inspector, because the japan was very defective. He considered the reason of the defect was the improper manner in which the leather had been dressed and japanned.

942. Could the Director-general of Stores have any technical knowledge whatever of those matters?—He does not profess to have any.

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943. Is not the inspector appointed on account of his technical knowledge?—Yes.

944. Does it appear to you reasonable that on a question of the quality of an article received, a man who has no technical knowledge whatever of the article, should decide contrary to the judgment of a man who was appointed on account of his technical knowledge?—The grounds of the inspector's decision were not overturned. The Director-general consented to accept the pouches on account of a defect in the pattern.

945. Was that on account of a defect in the quality?—No, there was a defect in the pattern; and there were similar defects in the supply.

946. Were the goods received with that defect?—The goods were received with that defect.

947. Were they issued with that defect?—No; it was determined that they should not be issued for the service for which they were intended; but for a service in which the cracked state of the leather was of no importance.

948. What service was that?—The sea service; they were required originally for the infantry, and it was determined that they should be supplied for the sea service.

949. Was there any communication with the department which provides those articles for the Navy?—The question was referred by the Director-general of Stores to the Director-general of Naval Artillery, and he assented to take them.

950. Are you in constant communication with the Director-general of Navy Stores in the matter of the sale, or of the exchange or transfer of stores?—That forms no part of my duty.

951. *Chairman.*] Does not the whole of the armament of the Navy pass through the War Department?—Yes.

952. Captain *Laffan.*] In establishing a set of inspectors and viewers, is not it desirable to have men whose technical knowledge gives value to their opinion as to the quality of the articles they have to look at, and do you not, therefore, divide them into sets according to the various trades that have to supply the War Department?—Yes.

953. Is not that attended with considerable advantage, inasmuch as you can put a special man to special work?—Yes.

954. Might it not be thought to lead to some inconvenience if you were to confine one particular man constantly to one particular article, inasmuch as his being in constant communication with one particular contractor, whose goods would, in all cases, have to be viewed by one particular viewer, might lead to the suspicion that the contractor might make it worth the while of the viewer to pass his article with a favourable eye; and do you take any steps in the conduct of your department to prevent any suspicion of that kind, by causing your viewers and inspectors to change about, and not to be always confined to inspecting the same articles?—Our present course would effectually prevent any such thing happening. It is a rule of the office that no inspector or viewer is to have any communication whatever with the contractors. All communications, either personal or by writing, are made to me as superintendent, and I reply to the contractors and not the inspector. The contractors know that the stores are examined by one inspector or the other; because the inspector must necessarily be present when a conversation takes place between the contractor and myself, but he would have no knowledge of the viewer who had inspected his stores; and he ought not to have any. No contractor is allowed to enter the storehouses, and unless he possesses that knowledge by other means, he cannot tell the name of the viewer who rejected his goods in the first instance. Of course, the inspector is always present with me during my interviews with the contractors; but the fact is, the inspector does not view the stores in detail; the viewer does that, and the inspector who confirms the judgment of the viewer, furnishes a check in that case.

955. Mr. *Liddell.*] If you had an instance in which you had reason to think that the viewer was mistaken, should you correct that, or should you take the opinion of the viewer?—The judgment of the inspector is final. I do not interfere with the judgment of the inspectors or viewers.

956. If a complaint were made to you by a contractor, that a viewer or inspector had dealt unfairly with him, and you happened to think that there had been a mistake made, could you alter the decision of the inspector?—The inspector

inspector can reverse his judgment, but I do not know of any instance in which he has done it. He could withdraw his report and alter it, but I never knew of any such case.

957. Mr. *Otway.*] What do you mean by saying that the inspector confirms the judgment of the viewer?—The viewer first compares the stores supplied with the patterns and specifications. He sets aside those which he considers objectionable, and accepts those which in his opinion are equal to pattern. The inspector re-examines the goods, and either confirms or overrules the viewer's decision.

958. Does it often happen that the inspector differs from the viewer?—Frequently.

959. Mr. *Corry.*] In that case is the inspector's decision final?—Yes.

960. Mr. *Liddell.*] Is the viewer ordinarily selected from among those engaged in trading in the article which he is called upon to view?—Yes.

961. Is that the case with the inspector?—It is.

962. Have not you stated that each article is inspected separately?—Yes.

963. Are such things as edge tools inspected separately?—Every supply that comes into the Tower is separately examined and compared with the patterns.

964. Are any steps taken in the case of pickaxes or spades to test the hardness of the metal?—Yes. Every article that is delivered at the Tower is examined, according to its nature and character. Pickaxes are delivered at Woolwich, but the axes are cut across in every way to show the quality of the iron and steel, and the temper of the steel is also tried either by a file or by striking it against a hard piece of wood or soft iron.

965. Do I rightly understand you to say that pickaxes are not delivered at the Tower?—Pickaxes are not delivered at the Tower, but at Woolwich.

966. Do you know anything of them?—No.

967. Sir *Charles Napier.*] Did you hold any office under Government before you were superintendent of inspectors?—Yes; I was in the storekeeper's office.

968. Mr. *Liddell.*] As to edge tools, is every separate article subject to the test you have described?—No; certain articles out of each delivery are tested, and if they prove satisfactory, the whole are passed, provided there are no defects apparent; on the other hand, if the samples tested are found to be unsatisfactory, the whole supply is rejected for assortment, and the contractor has to assort them, and re-deliver those that are good.

969. Mr. *Otway.*] Supposing that when a change in pattern of any article takes place, you have a large supply of articles of the old pattern in store, are the articles that are in store not delivered in consequence of the change of pattern which has taken place?—As a general rule they are issued until the store is exhausted. There may be exceptions to that rule; but as a general rule that is the case.

970. Would it not be a very great expense to the country if there were frequent changes in the patterns of accoutrements?—Yes.

971. Would the same be the case as to clothes?—I am not aware what store of clothing is kept at Weedon, and therefore I cannot answer that question.

972. Is not it the fact that you receive a very large amount of stores at certain periods (for instance, in January and February), and that you do not receive any at other times?—There are times in the year at which we are more busy than at others, but the contracts are so regulated that the supplies are spread over a number of months.

973. Over how many months upon the average are the supplies spread?—It depends upon the character and extent of the contract; in some instances stores are delivered in a month, or less when they are urgently wanted; in other cases, when the goods are required for store, we spread the delivery over several months; two, four, or six, or in some instances ten months.

974. For what articles would ten months be allowed?—For tools, blankets, and barrack furniture generally.

975. Does it not seem to you that it would be more advantageous for the Government to be supplied continuously with stores than to receive a large amount at one time?—Practically that is done.

976. If the supply of the 150,000 pairs of boots, which, as the Committee understand, were passed by one inspector, and afterwards rejected by another, had been distributed over a greater time, would not the defect, in all probability,

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have been discovered sooner, and would not the loss have been less?—Those supplies were not all sent in at one time, they were spread over several months; there were nearly 400,000 pairs of boots supplied during the war, and the supplies were spread over different periods.

977. Was that the case with regard to the 150,000 pairs of boots that were passed by the viewer at the Tower, and were rejected by the viewer at Weedon?—There was no such quantity supplied at one time; the quantity which was considered unfit for service formed part of a continuous series of contracts.

978. What was the amount of the contracts?—The contracts were entered into for 50,000 pairs at a time.

979. Then were not those 150,000 pairs of boots comprised in three deliveries?—They formed parts of several contracts.

980. *Chairman.*] Did they come from different persons?—They did come from different persons, and at different periods.

981. Mr. *Otway.*] How was it that while this continuous supply was going on it was not discovered before that those boots were defective?—Complaints were received from the Crimea that the boots were bad, and thereupon inquiries were instituted; it was found that a large number had been received which were inferior to the pattern, and unfit for service; those boots were delivered at the Tower, and were sent to the Crimea.

982. In the case I am alluding to, were not the boots passed at the Tower by the viewers there, and afterwards rejected at Weedon?—An examination took place at Weedon, and a large number of those boots were condemned, but they formed part of many previous contracts.

983. Mr. Ramsay in his evidence said, that there were 150,000 pairs of boots in the year 1856 which it would have been disgraceful to the department to issue; was not that so?—An inquiry was instituted at Weedon, but it was not the fact that those boots were delivered at any particular period.

984. Were those 150,000 pairs of boots issued to the army?—No, they were provided in anticipation of the wants of the army; a large number of boots were sent out to the Crimea, and the boots that were rejected at Weedon were of a similar quality.

985. How many of those 150,000 pairs of boots were ever worn?—I do not know; some part of them have been issued for the use of the militia.

986. Were not the whole number sold at a considerable loss?—I believe they were; but I cannot speak officially as to how many were sold.

987. Sir *Charles Napier.*] Were you in the storekeeper's office at the time when those 150,000 pairs of boots were received?—I was.

988. Did you know that those boots were received?—I knew that they were received, but I did not know of what quality they were; I was not in the inspector's office at that time.

989. Were you in the storekeeper's office before you were superintendent of inspectors?—Yes.

990. Was it in the storekeeper's office that you acquired your experience in those articles which you now inspect?—It is no part of my duty at present to inspect stores; I am superintendent of inspectors, but I am not an inspector.

991. Are not you supposed to see that the inspectors do their duty?—Yes; I have a sufficient amount of practical knowledge to enable me to know whether the inspectors form a correct judgment; but I am not acquainted with the details of the various articles.

992. What are your duties as superintendent of inspectors?—My duties are in a great measure clerical; each inspector is appointed to a particular division or class of stores, and he examines them as a matter of course; they come under his particular observation, and he reports the result of his inspection to me.

993. And with that you are satisfied?—With that I am satisfied.

994. Under the new regulations, do you ever inspect things yourself?—Yes, but not as an inspector.

995. If you suspected that an inspector had not done his duty in any particular case, would you inspect the article in question?—It would be my duty to look into the matter, and ascertain upon what grounds he formed his opinion.

996. Upon whose recommendation are the inspectors and viewers appointed?—Upon the recommendation of the Director-General of stores.

997. Has the Director-General of stores the entire recommendation of all the inspectors and viewers?—Yes.

998. Are

998. Are his recommendations always attended to?—I cannot tell; but I have every reason to believe that they have been so.

999. Do you know from what class of men they have been chosen?—They have been taken from the trade, except in one instance; one inspector was taken from the Royal carriage department, as possessing an extensive knowledge of the peculiar functions he would be called upon to perform.

1000. Has Parliamentary influence anything to do with those appointments?—I think not.

1001. Nothing whatever?—Nothing whatever.

1002. What are the salaries of those inspectors?—Their salaries range from 250*l.* to 300*l.* a year.

1003. What are the salaries of the viewers?—There are three classes of viewers; the first class is paid 42*s.* a week, the second 36*s.*, and the third 30*s.*

1004. Do the inspectors themselves examine the articles after they have been seen by the viewers?—Yes; but they do not examine every individual article; it would be impossible for them to do so.

1005. The inspector superintends the viewer?—Yes, and satisfies himself that the inspection is what it ought to be.

1006. Are not the inspectors and viewers employed every day?—Every day.

1007. Are you receiving stores every day throughout the year?—We are receiving stores every day throughout the year. In some parts of the year we are more busy than in others, but we have quite sufficient current duty to keep every man regularly employed.

1008. Are the duties of the inspectors very onerous?—They are very responsible and very onerous.

1009. Have you ever heard of any complaints being made of the viewers to the inspectors?—Yes, in one instance I have.

1010. Did that complaint go to the inspector in the first instance?—No, it was made to me direct. The contractors have no communication whatever with the inspectors; all communications are made to me personally, or at least they should be so made.

1011. Have the contractors anything to do with the viewers?—Nothing whatever.

1012. Did not you say that a complaint had been made to you by a contractor of the conduct of a viewer?—Yes, but not in his character of viewer. The case which is alluded to was this:—A contractor was taken into a storehouse to regulate some clocks which he had delivered, and one of the men who was standing by asked him for some gratuity; the gratuity was given to him, but the case was reported to me, and I immediately reported the circumstance, through the storekeeper, to the Director-general of stores, and the man was dismissed the service.

1013. Are the viewers a class of men who may be tempted by gratuities?—I think not generally. This man had been in the service many years as a viewer, but I did not consider he was a properly qualified person. I had my doubts about it before this circumstance came to my knowledge.

1014. Captain *Laffan.*] Did the man who had given the gratuity himself inform you of it?—Yes; it was in amount very trivial.

1015. Sir *Charles Napier.*] Have not a large number of stores been returned lately from the Crimea?—Yes.

1016. Were any of the persons under your directions sent to inspect those stores?—Yes.

1017. Have they made a report upon them?—Yes, they made a report as to the condition of each cargo of stores received by each vessel.

1018. Were any of those stores unpacked in the Crimea?—Yes, but a large number of the stores came home just as they were packed when they went out

1019. When those stores were opened did they answer exactly to the bills of lading in quantity?—No, they did not. In many instances there was an excess of the quantity charged in the bills of lading, and in some cases a deficiency.

1020. Could those packages ever have been inspected before they went out?—Doubtless they were examined; but I do not know what course was pursued prior to shipment.

1021. Are you aware that there were large discrepancies, and that the supplies were

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were furnished in diminished quantities?—Yes, in some instances the differences were great, in others they were such as might have happened under any supervision.

1022. Were those stores sold under your inspection?—The only thing which he inspector had to do was to say which of the articles he inspected were serviceable, and which damaged and unfit for service.

1023. Could you give a return of the number of articles that were so reported?—No; the inspectors keep no accounts.

1024. Where are those reports kept?—Those reports are kept in the storekeeper's office.

1025. Those reports are in existence?—Yes.

1026. And can be furnished?—Yes.

1027. Were a large number of articles damaged?—A large number were damaged. I had no control over the sales, and it was not part of my duty to allot the articles for sale.

1028. Did the reports that passed through your office state how many articles were damaged?—The reports merely stated the condition of the articles, whether they were serviceable or unserviceable.

1029. Was any report made as to the patterns of any of the stores?—In some instances they were obsolete.

1030. Were you directed to inquire whether they were obsolete?—Yes. There is a column for remarks attached to each report, and in that column it is stated in some instances that the patterns were obsolete, and thereby rendered unserviceable.

1031. Was the inspection continuous?—The inspection was continuous. We had a large number of stores under inspection at that time.

1032. Captain *Laffan.*] If those reports were furnished, would they give any information as to whether the cause of deterioration arose from wear and tear?—They would give no such information; it was merely a numerical report.

1033. Sir *Charles Napier.*] Are all the stores which came home from the Crimea sold?—The stores which were intended for sale are sold.

1034. And the others returned into store?—Yes.

1035. Mr. *Liddell.*] Were there not many complaints made by the various commanding officers of the quality of the stores that were furnished to the army in the Crimea?—Yes.

1036. What steps were taken upon the receipt of those complaints?—The matter was inquired into as far as was then practicable, and the result of those inquiries was reported to the Director-general. But I have no knowledge as to what communications took place between the War Department and the Quartermaster-general upon the subject.

1037. Is not it the case, that in such things as edge tools there is generally either a trade mark or the maker's initials attached to the tool itself?—Not in all cases.

1038. Is it not so in most cases?—No, it is not so, unless it is stipulated for in the contract.

1039. Can you state whether the maker's name was attached to the tools which were supplied to the army in the East?—Upon the generality of tools returned from the East there was no trade mark and no maker's name.

1040. You have already stated in evidence that every article is inspected separately by the viewers when it first comes to the Tower from the contractors; are the same viewers who passed those tools against which complaints were made still employed in the Tower for that purpose?—We cannot tell. We do not know when those tools were received into store, and we do not know, consequently, by whom they were examined.

1041. Was it the case that at the breaking out of the war there were large quantities of articles of this description in store?—Yes, a considerable quantity. There were some which had been in store since the Peninsular war.

1042. Were those tools furnished to the troops?—They were furnished to the troops, and a large portion of those were the tools which caused complaint.

1043. Are not you of opinion that articles of that description deteriorate considerably by being kept in store?—No, I think not. In some cases edge tools, which require to be kept bright and free from rust, are subject to damage if kept without care and attention; but, generally speaking, I should say, they are not subject to deterioration.

1044. Sir *Charles Napier.*] Whose duty was it to examine the stores that were sent from the Tower to the Crimea?—They were not reinspected when they were issued; they were issued from store.

1045. Were they issued without a further examination, although they had been delivered many years before?—They were not examined, because the fact of their being in store was presumptive evidence that they were fit for service.

1046. *Chairman.*] Were not there any reports made which would show when those stores were received?—I have not heard of any such reports.

1047. Mr. *Corry.*] What standard have the inspectors by which to judge of the quality of the goods which they inspect?—They have the patterns and the specifications.

1048. Mr. *Tite.*] Have you anything to do with the question of penalties?—No.

1049. Who can give the Committee information upon that point?—The Director of Contracts.

1050. Mr. *Otway.*] Were you in any business before you held your present office?—I was in no trade.

1051. How do you decide upon the competency of the inspectors?—The inspectors have been appointed from their ascertained efficiency.

1052. How was their efficiency ascertained?—By testimonials and by references. I do not know what course the Director-general took before he recommended the names of those that were appointed; but I have every reason to be satisfied with their qualifications.

1053. Did I rightly understand you to say, that if a contractor is dissatisfied with the judgment of the inspector, he has no appeal?—Virtually he has no appeal.

1054. Has it often happened that there have been complaints from a contractor that the inspector has rejected his articles when they have been equal to the pattern?—Contractors demur daily to the decision of the inspectors; but the contractors are necessarily more or less interested, and the judgment of the inspectors is more relied upon than the opinion of the contractors.

1055. Has it ever occurred that a contractor has asserted that his articles have been refused by the inspectors as not being equal to the pattern, whereas they are, according to your impression, equal to the pattern?—No, I do not recollect any instance in which the inspector's decision has been virtually overturned. Contractors complain daily that their stores have been rejected wrongly, but as they have not shown sufficient ground to support their assertion, the inspector's decision has been confirmed.

1056. Would there be any objection to making such questions matters of reference?—I think there would be great objection to such a course.

1057. Will you state the grounds of your objection?—The only reference that could be made would be to persons placed in a similar position to those who demur to the decision of the inspectors. For instance, a manufacturer of tools would not be satisfied unless the question were referred to some one in the trade, and he might have an interest in the matter; if the reference were to rest upon his judgment, the public would probably suffer.

1058. Are those the only objections to that system which occur to you?—I think it would be almost impracticable in a public department.

1059. Does not it seem to you possible that so far from the trade being disposed to favour the person who supplied the goods, the rivalry which exists among tradesmen would induce them to take a less favourable view of him?—I do not think so. I think that it is the clear interest of the trade to support each other. When the inspector is supposed to be a practical man, capable of expressing a correct opinion, I think it would be prejudicial to the department to interfere with a person who has been so appointed.

1060. Do you think that six or eight unsuccessful contractors would be likely to be biassed in favour of the successful contractor?—Yes, in the hope that they might get the same favour at some future period.

1061. Supposing that there are 15 or 20 persons who manufacture tools in this country, do you think that out of that number no referee could be selected who would give an impartial opinion?—I do not mean to say that you could not obtain an impartial referee; but I think that the system would be attended with the liability to this, that the referee appointed might be a person more or less connected with the contractor whose stores were rejected. It would also imply

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that the inspectors appointed by the department were inefficient, which is not the case.

1062. Do you consider that the inspectors are not liable to any undue bias?—I do not consider they are; I think they are men of so much practical knowledge, that assisted by the viewers who have been apprenticed to the trade, also practical men, our judgment may rest upon them.

1063. Does not it frequently happen that the viewer and the inspector differ in judgment?—Yes, in some instances.

1064. Who is to be the judge when they differ?—Of course the inspector is more qualified to judge than the viewer, as he is in a superior position.

1065. You do not mean to say that his superior salary would make the inspector a better judge of an article than the viewer?—No; but he is taken from a better position, and possesses higher attainments. In stating that the inspectors sometimes differ from the viewers, I do not mean to say they do so in any essential degree. He may frequently on minor points differ from the opinion of the viewer as to a cause of rejection. The inspector may consider it unnecessary, and the viewer may agree that it was not an important one.

1066. May not the viewer say that a supply of 12,000 pairs of boots was good, whereas the inspector would say that it was bad?—No; every pair of boots would be separately examined.

1067. Would every single pair of boots received into store be separately examined?—Yes; however small or insignificant the articles may be, they receive the same amount of attention as articles of greater value.

1068. Since you have, for the reasons you have stated, a decided objection to having any arbitration whatever as between contractors and inspectors, are you prepared to abide by the decision of the inspector and to make it final in all cases?—Yes; I would strongly recommend that the decision of the inspector should in all cases be final. I think it would be impossible for a department to be carried on were such a reference to the different trades allowed.

1069. Are you aware that in a country where the army is considerably larger than in this country, and which is remarkable for its supplies of shoes, namely, France, the system to which you so much object is in practice?—I was not aware of it; I know that it is not done in the Admiralty. No reference to the trade is allowed in a case of dispute between a contractor and a Government inspector.

1070. Colonel *Boldero*.] Are not your viewers selected from their having a knowledge of the article that they view?—Yes.

1071. Are your inspectors selected because they have a knowledge of the article which they inspect?—Yes, they are.

1072. How many inspectors have you?—Four. They are men of great practical knowledge, and men of general knowledge, and men of greater intelligence than the viewers.

1073. Sir *Charles Napier*.] Supposing that an order came from the War Office to the Tower to send out at the present moment to China a number of stores, would they be examined to see if they were good before they were sent out?—No, that is not the practice; it is taken for granted they are fit for service.

1074. Might they remain there 40 or 50 years without being turned up and examined?—It might so happen; it was so at the commencement of the war.

1075. Do not you think that that leads to great inconvenience?—Yes, if the stores were found to be defective.

1076. Was not the store found to be defective at the commencement of the war?—Yes.

1077. Although that has been found out, if an order came for goods to be sent to China, would they be sent in the same way as they were to the Crimea?—We have no knowledge that there are in store such inferior articles as those which were sent to the Crimea.

1078. If there were would they be issued?—If so, it is probable they would be issued.

1079. Captain *Laffan*.] In consequence of the experience gained in the war, as to the bad qualities of some of the articles that have remained in store a long time, has there been any order issued to examine any of the stores that remain in hand?—There has been no order, but in several instances certain classes of stores have been re-examined.

1080. Was

1080. Was that order issued in consequence of the experience gained in the Crimea?—Classes of stores have been re-examined, not only in consequence of the experience gained in the Crimea, but also in other departments.

1081. Have some of the stores that have remained in the Tower a long time been condemned?—Yes. A complaint was made that some files which had been in store a long time, and recently issued, were not such as they ought to be, and an order was made, at my suggestion, that the whole store of files should be examined; it was done.

1082. Were those that were found to be bad condemned?—Yes.

1083. Is it the practice that when a complaint reaches the department of the bad quality of the stores of any particular kind that have been issued, if there is a large quantity of such stores they are examined, and if they are found bad they are condemned?—Whenever such a case occurs that practice is followed.

1084. Mr. *Corry.*] With regard to perishable articles, would they be examined before they were sent out of the store?—I do not know that we have any articles in store that are perishable.

1085. Mr. *Tite.*] Are not blankets perishable?—They may remain good for many years. The blankets in the Tower are tightly packed by hydraulic pressure, so that no air can get to them; I believe those blankets will be as good 30 years hence as they are now.

1806. Were not the articles to which you referred just now, such as files, defective when they were received?—I dare say some of them were; others might have been injured by rust.

1087. Mr. *Otway.*] How many pairs of boots do you keep in store?—We have no store of boots in the Tower.

1088. Do you know how many there are at Weedon?—No.

1089. Mr. *Liddell.*] Is it the practice at the Tower to make the contractor impress his name upon every article which he sends in?—No.

1090. Are you aware that it is the practice at Weedon?—Yes; it is owing to the nature of the stores; it might be done with some articles in the Tower; there are other articles with which it could not be done.

1091. Mr. *Moffatt.*] Is not the contractor always responsible for the stores he sends in?—Yes.

1092. Can you always trace the stores to the contractor who has sent them in?—Yes; we can do that in respect to any recent delivery; we could not do it 20 years hence with regard to stores sent in now.

1093. Captain *Laffan.*] Supposing that you received 5,000 or 6,000 articles of a particular description, could you ascertain not only the inspector but the viewer who had passed the particular articles?—We could ascertain the inspector most undoubtedly, because the duty of inspecting that class of stores would be under his immediate control; but not the viewer as two or three might be employed, between whom the responsibility would be divided.

1094. Mr. *Moffatt.*] Were the whole of the stores which came from the Crimea lodged in the Victoria Docks?—A great many of them were.

1095. Were they there examined by viewers and inspectors?—Yes.

1096. What happened after that?—The stores which were condemned were sold; those which were fit for service were sent to the Tower.

1097. Was a communication made to the Admiralty to know whether they required any of the stores that had been brought from the Crimea and lodged in the Victoria Docks?—That formed no part of my duty.

1098. Sir *Charles Napier.*] Were serviceable stores sold at the Victoria Docks?—At the commencement of the sales they were.

1099. In large quantities?—Not in very large quantities.

1100. Mr. *Moffatt.*] Can you state what officer could inform the Committee as to that question?—The storekeeper, Mr. Eaton, could inform the Committee as to that.

1101. Sir *Charles Napier.*] Is any survey made of the stores of the Tower?—No.

1102. Do you never take stock?—We take stock; but we never survey except in a case where any complaint arises; then we examine the class of stores to which the complaint refers.

1103. Mr. *Moffatt.*] Were the stores which came home from the Crimea in an injured state damaged by seawater?—In many instances they were damaged by damp and sea water, in other cases by corrosion and injury.

C. S. Elliott, Esq.
3 March 1857.

1104. Have you any means of informing the Committee of the difference between the amount which those stores cost and the amount which they realised?—No, I can form no opinion as to that.

Richard Eaton, Esquire, further examined:

R. Eaton, Esq.

1105. Mr. *Moffatt.*]—With regard to the stores returned from the Crimea, what communication was made to the Admiralty with regard to any of those stores which they were likely to require?—I am not aware that any communication was made.

1106. When the stores came home, was not inquiry made as to whether they would be required in other departments?—I think that no notice was sent to the officials of the Admiralty to say that such stores were going to be sold. There were some stoves that were taken by the Board of Works.

1107. Sir *Charles Napier.*] Have you the power of ordering a survey of the stores in the Tower?—We examine the stores from time to time.

1108. Would it be possible to take an annual survey of the stores at all the dock yards?—It would be a very difficult matter at the Tower. We are now about to take stock, and will commence in a few weeks.

1109. Is it not necessary that the storekeeper should be perfectly aware whether there are any stores in the Tower that are not fit for service?—To a certain extent all the stores that are passed are fit for service.

1110. Can you know the condition in which they are after being kept 30 years, unless you occasionally examine them?—If I had any doubt, I should think it my duty to satisfy myself upon the point.

1111. Were you storekeeper when the stores were sent to the Crimea?—Not at the commencement of the war.

1112. Mr. *Moffatt.*] How long is it since stock was taken of the stores in the Tower?—I think it is six years since the actual stock was taken.

1113. Do you believe that it is quite practicable to take actual stock?—We propose to do so; and shall do it as accurately as we can.

Veneris, 6° die Martii, 1857.

MEMBERS PRESENT.

Colonel Boldero.	Mr. MacGregor.
Colonel Dunne.	Mr. Otway.
Viscount Goderich.	Mr. Peel.
Mr. Liddell.	

COLONEL DUNNE, IN THE CHAIR.

Mr. *James Pew*, called in; and Examined.

Mr. J. Pew.
6 March 1857.

1114. *Chairman.*] WILL you state to the Committee what was your official situation last year?—My official situation was Inspector of Stores at the Tower.

1115. Do you remember the instance of 170,000 pairs of boots being sent into the Tower?—I should think there was more than that amount of boots and shoes altogether.

1116. Will you state to the Committee the mode of inspecting the shoes which was followed when you were inspector?—The mode of inspecting them was this: with every delivery of boots and shoes by the contractors, was delivered what is called an inspection report; that was given out to the several viewers; that contained the particulars, the date of the order, the date of the supplies, and the names of the contractors: the viewer was required to examine those boots by a pattern which was sealed either by the Board of General Officers or by the Ordnance Department, for their guidance. When the examination was complete, the report was filled in in pencil, and brought to me; I then attended at the table of the viewer, and I took samples of the boots which were considered to be equal to the pattern; I examined them, and if I considered that they were so,

I passed

I passed them; I took also large samples of the rejections, to see whether they had been properly rejected; and, if I was satisfied that those rejections were correct, they were rejected; and I very frequently, indeed on most deliveries, cut open some of the boots to see whether the internal workmanship was satisfactory.

1117. Were all the precautions usually taken adopted in the case to which reference has been made?—We took every precaution we could possibly take; and when I tell the Committee that out of 160,000 or 170,000 pairs of boots which were delivered, 35,000 or 45,000 pairs were rejected, I think the Committee will see that considerable diligence was used in the examination of those articles.

1118. Have you any reason to suppose that in this case the viewers did not exercise due diligence, or that they did not act as they ought?—I have no reason to believe that they acted either dishonestly or negligently. But at the time that the boots were under examination, I think it fair to tell the Committee we were pressed in an extraordinary manner to get the things out in order to meet the urgency of the service.

1119. Do you think that in consequence of haste, some mistake may have arisen?—It would be folly for me to say that it was not so, because you are perfectly aware that in a large quantity of boots (such as 200,000 pairs), it is impossible for an inspector to examine every pair. He must take samples, and satisfy himself that the general supply is good. And when the supply is furnished by the first boot manufacturers of the country and by the first clothiers of the country, I think there is reason to suppose that upon the whole it is a fair and honest supply.

1120. Are you aware that a large portion of those boots were rejected subsequently?—I recollect that I went down to Weedon upon a complaint being made that the boots were defective. I saw them there, such as they were. It cannot be denied that there were amongst them boots I should not have passed if I had seen them. But there is this to be said, that those boots having been in store a considerable time, had dried up and shrunk, so that the defect was more easily detected than it was when they came fresh into the Ordnance stores at the Tower. But to say that the large quantity which I have heard stated were inferior and unfit for the service, is out of the question.

1121. Mr. *Liddell.*] Were they fit for the service?—Certainly they were. A great proportion of them must have been fit for the service, or else the boot contractors and all the army clothiers we had employed must have been rogues.

1122. Mr. *Otway.*] Are you aware that your last answer but one is in direct opposition to a statement made by Mr. Ramsay before the Committee last year, inasmuch as he considered they were perfectly unfit to be issued?—I do not know what Mr. Ramsay may have stated.

1123. Is it your opinion that they were good boots, and such as ought to have been issued to the army?—There can be no doubt that with a large supply of 200,000 pairs of boots many were defective; but I say that a very large quantity of those boots that were passed by me are fit for the service.

1124. Do you adhere to the statement you made just now, namely, that in your opinion to say that a large quantity of those boots were inferior and unfit for the service is out of the question?—Yes, I do; it is a question of extent.

1125. Is it the case or not that every single article, when admitted into store, is examined by the viewer?—Decidedly.

1126. Why did you say just now that it was impossible for one viewer to see every pair of boots?—Because there were 20 viewers under one inspector.

1127. With regard to the boots that were passed, of which you say a certain portion were unfit and unserviceable, do you consider it possible that the portion of those boots that were condemned as being unfit and improper, should have been passed at their examination in consequence of any gratuity or any advantage given to the viewer by the person whose boots they were?—I have not the slightest reason to suppose that.

1128. Do you suppose it to be improbable?—To the best of my knowledge I should say so.

1129. Do you know any case of a viewer or an inspector receiving a gratuity for passing goods?—No.

1130. In your opinion such a case has never occurred?—I cannot say that a

Mr. *J. Pew.*

6 March 1857.

case at any time may not have occurred. I speak as far as my own knowledge is concerned.

1131. Do you think that the viewers may have passed those goods from their being incompetent?—No, I do not.

1132. Do you think they passed them from being negligent?—There may have been a little negligence. It may have been done at a dark hour of the day, when the light was not very good, and they were worn out with their day's work.

1133. Is it customary to receive articles for the supply of the army at dark hours of the day?—At that time of extreme pressure, they worked early and late; they worked as long as they could see because of the urgency of the case. We got the work done as rapidly as possible.

1134. Was there any increase made in the number of inspectors in consequence of this pressure?—We increased the viewers as far as we could employ them; but we were so limited in space, that we could not employ the number we wished.

1135. Mr. *Peel.*] What portion of the boots that you passed or inspected has actually been condemned?—I know nothing about that.

1136. *Chairman.*] Were not you sent down to Weedon afterwards about this matter?—I understood that there was to be an inquiry about the boots, and it was suggested that I might like to be present at the inquiry. I went down to the inquiry; but when I got there, I received a note to say that though I was permitted to be there, I should not be permitted to ask any questions.

1137. Mr. *Peel.*] Can you state how long that inquiry lasted?—I do not know.

1138. *Chairman.*] Is not it much easier to detect faults in boots after some months, than it is when they are first delivered?—No doubt of it.

1139. Errors in performing the work will be obvious after some time that were not so when the boots were first received?—Not seen so easily nor so clearly.

1140. Are the Committee to understand that you impute this error that was made to the haste with which the requirements of the service forced the inspectors to act, and also to the fact of the boots being delivered perfectly new?—Yes.

1141. Colonel *Boldero.*] Did not you state that at that time 35,000 pairs of boots were rejected out of 160,000?—Yes; that is about the number; I speak from memory; it is 12 months ago.

1142. What were the defects in those boots that caused the rejection?—Bad workmanship and bad materials.

1143. What was the date of the first contract for those boots?—I cannot tell that.

1144. Was it previous to the war, or after the commencement of the war?—We had had contracts for boots long before the commencement of the war. The contract for those particular boots was after the commencement of the war.

1145. What is your mode of contracting?—That does not come under my notice; but I know that a note is written to a number of individuals asking them to supply the boots, and I believe the general rule is to take the lowest tender.

1146. Who selects the pattern boot?—I believe the pattern is usually selected and sealed by the Board of General Officers.

1147. Do you give to each contractor a pattern?—Contractors for army boots are generally bound to supply them according to the patterns lodged at the Board of General Officers. I frequently give them a pattern if they ask for it. I have never refused to give a pattern to any contractor who has wished for one.

1148. Mr. *Liddell.*] You laid some stress upon the amount of extraordinary pressure that was caused to the department in the course of the war, by the unequalled demands made upon the service; do you think that that amount of pressure was more than the department could bear?—Undoubtedly.

1149. Do you think that in consequence of that unusual pressure it necessarily occurred that the work of inspection was not so carefully performed as it ought to have been?—Undoubtedly. I was going to make this observation, that if the warehouses and inspection floors in the Tower had been adequate to the immense pressure of business thrown upon them, there would have been no difficulty

difficulty in placing the viewers so as to have a proper view of the things, so that it might have been well done.

1150. It was a mechanical difficulty?—Yes. When I tell the Committee that we had hundreds of bales of goods, boots, shoes, and other things under tarpaulins, because the warehouses could not hold them, and that we could hardly turn round in the warehouses because they were so full, they will see what a pressure we were subjected to.

1151. Are you decidedly of opinion that this mechanical difficulty which you have described was such as to render the inspection anything but satisfactory?—It was impossible to do it as we might have done, if we had had plenty of time and plenty of men. I think we made the most minute and careful inspection that we could, when we were pressed by the authorities, and told that they had ships ready and must have the boots, as was frequently the case.

1152. Mr. *Macrgegor.*] Are the inspectors and viewers men chosen from the trade?—Most of the viewers are men, accustomed to the trade; some are not; but they are generally intelligent men, and trained to be viewers.

1153. Mr. *Otway.*] Did not you state, that on the original inspection of those boots a large number were rejected?—On the original delivery of those boots, which are now complained of, out of 170,000 or 180,000 pairs of boots, about 25 per cent. were rejected in the first instance.

1154. Was it the case that 150,000 pairs of boots that were passed by one inspector as serviceable were subsequently condemned by another inspector as unserviceable, and were declared to be discreditable to the department?—This is the first time I have heard of it.

1155. Mr. *Peel.*] Do you know the number of those boots which have turned out to be unserviceable?—No.

1156. Mr. *Otway.*] Did you ever hear of a case in which 150,000 pairs of boots had been rejected?—I have heard in common parlance that 200,000 pairs of boots were declared to be unfit for the service, but I say that it is impossible. And I may further observe, that if those 200,000 pairs of boots were all unfit for the service, all the contractors with whom we ever dealt, both army clothiers and shoemakers, must be rogues.

1157. Are you aware that the evidence of Mr. Eliott and Mr. Ramsay given before this Committee last year, who concur with each other, is opposed to the evidence which you have just given?—I think that is very probable. I have never seen the evidence of last year.

1558. Colonel *Boldero.*] Did I rightly understand you to say that you went down to Weedon in order to be present at the inspection of certain boots that were not approved of, but that you took no part in that inspection?—I did not take any part in that inspection.

1159. Did not you say that the defects in those boots were more easily detected because they had been a long time in store?—Yes.

1160. Were those boots contracted for since the new system came into force?—I cannot tell you when they were contracted for.

1161. Had they not been in store previous to the commencement of the war?—No; they had been delivered since the commencement of the war. When boots are delivered fresh from the last and coopered up, a short time is sufficient to injure them considerably.

1162. *Chairman.*] At the time that you went down to Weedon had you left the War Department?—At the time I went down to Weedon I had left the War Department. I was only permitted to be there as a stranger.

1163. Mr. *Otway.*] Is it customary for goods to be coopered up to such an extent that they are liable to be deteriorated?—Yes; I have not the least doubt in the world that many of the complaints which have been made of boots that have gone to the colonies, have arisen from their being coopered up in that way.

1164. May we justly infer that too large a store of those articles is kept?—That is a question that I cannot go into.

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APPENDIX.

Appendix, No. 1.

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MEMORANDUM relative to the System to be pursued in the Purchase of Raw Materials, Stores, Tools, and Machinery, for the use of the Manufacturing Departments, as approved by Lord *Panmure*.

(Communicated in letter from Mr. Monsell to the Heads of Departments, 8th July, 1856, x 21846.)

1. It is of the first importance to obtain the various materials required in the manufacturing departments at Woolwich on the most advantageous terms, and of the best quality.

2. The means of obtaining the supplies required, whether by public competition, by agents, by brokers, or by direct purchase from individuals, it is for the Secretary of State to decide either by general regulations or from time to time, as may be most expedient.

3. The Secretary of State directs the Head of the Department interested in the supply to report in all cases where the supply is one of magnitude or importance upon the best mode of obtaining it, and the best source or sources of supply.

4. The Report so furnished, together with any recommendation or opinion as above required, is to be officially recorded, together with the decision of the Secretary of State, stating the grounds on which the recommendations are adopted or rejected, as the case may be.

5. In the event of supplies being obtained by public competition, the Head of each Department should be present at the opening of the tenders in which his department is concerned, in order that he may have an opportunity of advising on the course to be pursued in regard to each tender; such advice to be recorded.

6. All payments for works executed at Woolwich, or supplies of any kind furnished, are to be preceded by a certificate from the Head of each Department that the works are executed to their satisfaction, and that the supplies are in conformity with the terms and conditions of the contract or agreement.

7. All articles manufactured and completed are to be considered as stores, reported by the Head of each Department to the Secretary of State, and placed in the custody and under the direction and control of the Director General of Stores.

ESTABLISHMENT OF THE WAR OFFICE, 1857.

Secretary of State	Rt. Hon. Lord Panmure, K.T., G.C.B.
Under Secretary of State	Frederick Peel, Esq., M.P.
Under Secretary of State	Sir Benjamin Hawes, K.C.B.
Assistant Under Secretary of State	John R. Godley, Esq.
Secretary for Military Correspondence	Col. Sir H. K. Storks, K.C.B.
Chief Clerk	Henry R. Drewry, Esq.

Appendix, No. 1.

Inspector-General of Fortifications - - -	Gen. Sir John Burgoyne, Bart., G.C.B.
Deputy Inspectors-General of Fortifications -	Capt. Robert M. Laffan, M.P. Lieut.-Col. H. C. Cunliffe Owen, C.B.
Assistant Inspectors-General of Fortifications -	Major Jervois, R.E. Captain Belfield, R.E.
Director-General of Artillery - - - -	Major-General W. Cator, C.B.
Director-General of the Army Medical Department - - - - - - - - -	Andrew Smith, Esq., M.D.
Military Superintendent of Pensioners - -	Colonel A. M. Tulloch.
Assistant Military Superintendent of Pensioners -	Colonel John Crofton.
Chaplain-General and Director of Schools -	Rev. G. R. Gleig, M.A.
Director of Stores and Clothing - - -	Captain J. C. Caffin, R.N., C.B.*
Assistant Director of Stores and Clothing -	Geo. D. Ramsay, Esq.
Director of Contracts - - - - -	Thomas Howell, Esq.
Director of the Commissariat - - - -	Samuel Petrie, Esq.
Accountant-General - - - - -	R. C. Kirby, Esq.
Solicitor - - - - - - -	Charles G. Bannister, Esq.
Examiner - - - - - - -	F. J. Prescott, Esq.
First Clerk - - - - - - -	K. Bacon, Esq.

Clerks, &c. &c. &c.

* Captain Caffin will continue to discharge his former duties as Naval Director-General of Artillery.

MEMORANDUM stating the Course to be pursued by the Contract Branch of the War Department with reference to Contracts for the Purchase of Stores, the Execution of Works, and the Performance of various Services in connection with the War Department.

I.—CONTRACTS FOR STORES.

1. As a general rule, all supplies of stores are to be obtained by public competition.

2. In cases in which it shall appear desirable to purchase by commission, or by limited competition, the Director-general of Contracts is, except in instances of trifling amount, to apply to the Secretary of State for War, or such other officer as may be appointed for this purpose, for sanction to that mode of proceeding, stating the grounds on which he recommends a departure from the general rule of public competition.

3. Purchases on commission are to be made through a sworn broker or commission agent of well-known respectability and standing.

4. When it shall be decided to proceed by way of public competition, forms of tenders are to be sent to persons whose names shall have been entered on the office list of tradesmen as connected with the supply of the article required.

5. The office list is to include the name of every tradesman who shall make application to be placed on it, and who shall produce satisfactory references as to his ability to execute the orders for which he proposes to tender.

6. Each tradesman or firm to whom a form of tender shall have been sent is to be at the same time informed of the day and hour fixed as the latest time for the reception of tenders, and beyond which none can be received. On the outside of the letter enclosing any tender the word "Tender" must be clearly written, with the name of the article or articles offered to be supplied.

7. On the arrival of each tender as above, it is to be placed unopened in a box with two locks, the key of one of which is to be kept by the Director-general of Contracts, that of the other by the chief clerk, or any other officer of the department named for that purpose.

On the morning of the day after that fixed as the last on which the tenders are to be received, the box is to be opened in the presence of the Director-general and the chief clerk, or any other officer named for that purpose; and no tender not received before the expiration of the time fixed as the latest for the reception of tenders is to be entertained.

8. The tenders being opened in the presence of the Director-general and the chief clerk, or any other officer named for that purpose, a list, with the particulars of each, is to be entered in a journal kept for the purpose, which is to be examined and signed daily by the Director-general or the senior clerk, or any other officer named for that purpose.

9. As a general rule, the lowest tenders are to be accepted. Should the Director-general of Contracts think it expedient to deviate from this rule, he is to submit his recommendation to do so for the decision of the Secretary of State for War, or such other officer as may be approved

approved by him, together with his reasons in writing for any such deviation from the general rule.

10. In cases where a further requisition shall be made for the supply of articles which have actually been supplied by public tender as above, and where the Director-general of Contracts shall consider it for the interests of the public service to order such articles to be supplied by the previous contractor, he is to apply for the sanction of the Secretary of State for War, or such other officer as may be approved by him, to the course proposed.

11. When a tender shall have been accepted, the contract and bond, when required, is to be prepared without delay by the Solicitor to the War Department.

12. All specifications and patterns of stores are to be, in the first instance, approved by the authorities directing the service for the use of which the stores may be required.

II.—Contracts for Works.

13. There will be two decriptions of contracts for works and repairs; one according to which the contractors shall agree to perform the whole service for a specific sum, another according to which he shall undertake to perform any service required of him at prices fixed in certain printed tariffs or schedules, the contractor undertaking to perform the work at the schedule prices, or at specified per-centages above or below those prices, as shall be agreed upon.

All works and repairs, of which the estimated cost shall not exceed 300*l.*, are to be undertaken and executed under contracts of the latter description, made and entered into at each engineer station for three years, and called triennial contracts.

14. The same course is to be adopted in respect of contracts for works as in respect of contracts for stores, with the exception that tenders will be advertised for by the district engineers, who are to send forms of tender to the persons who shall reply to the advertisements.

The tenders are to be directed and sent to the Director-general of Contracts, and the district engineer is to transmit to him a list of the persons to whom forms of tenders shall have been sent, stating his opinion of their respective competency to perform their work.

III.—Contracts for Miscellaneous Services.

15. In respect of contracts for services of an important or extensive kind, such as the provision of barges, the hire of coasting vessels, the conveyance of goods by canal or railway, &c., the same course is to be adopted as that already described in respect of contracts for stores.

16. Contracts for trifling and local services, such as lighting lamps, sweeping chimneys, removing ashes, washing linen, &c., are to be entered into after advertisements issued, and received by the officers of the department immediately concerned. In all such cases, the proceedings taken are to be submitted for the sanction and approval of the Director-general of Contracts.

17. When the contract is made, information of its nature, and of the date at which it is to be completed, is to be forwarded to the Cash and Store Departments, or the Manufacturing Departments, or the Inspector-general of Fortifications, as the case may be.

18. If it be not completed at the time appointed, the department having the cognizance of such default is to report it on the following day to the Director-general of Contracts, who is immediately to take steps to have the penalty for default enforced.

19. No penalty is to be remitted without the sanction of the Lords of the Treasury.

B. Hawes.

War Department, Pall-mall,
24 May 1856.

Form of Tender.

War Office, Pall Mall, S. W.
1857.

The articles enumerated in the annexed schedule being required for the service of this department, should you be desirous of tendering for the same, you are requested to fill up and sign this form of tender, as herein pointed out, and return it to this office on or before addressed to "The Under Secretary of State for War," taking special care to mark upon the outside "Tender for " Any omission in this respect may lead to the offer not being duly considered.

Appendix, No. 1.

Terms and Conditions of the Contract.

Description of the stores. The articles required are to be of the qualities and sorts described, and equal in all respects to the patterns and specifications, which may be inspected on application at the Storekeeper's Office, Royal Arsenal, Woolwich, and to be delivered by the contractor at his own expense at the Royal Arsenal, Woolwich, within the time or times specified.

Receipt or rejection. Previous to the articles being received into store, they will be examined * by the officer or officers appointed for that service, and if found inferior, or defective in quality, they will be rejected, and the contractor is to remove the same at his own expense, within 10 days after he is required so to do, without any allowance being made to him for such rejected articles.

* Parties tendering are, for their own security, recommended to inspect minutely the patterns and specifications, as the contract is entirely governed thereby. They are also to satisfy themselves that the reference number on the pattern and the number inserted in the specifications agree in every instance; in case of any apparent discrepancy, it is to be referred for explanation to the Director-general of contracts.

Duplicate patterns. Duplicate patterns will be delivered by the War Office to the party whose tender may be accepted, on payment of their value, when application is made for them, but the contractor will understand that the original pattern will be used for governing the reception or rejection of the supply.

Inspection. The stores will be inspected within 30 days from their delivery (except in particular cases where a longer period is herein named), and a certificate passed to the Accountant-general, War Office, Pall Mall, London, within 10 days afterwards, for such quantities as may have been found of proper quality.

Certificate. If the deliveries under the contract be divided into proportions, a certificate will be passed as aforesaid, for each proportion, within 40 days after the delivery thereof, provided the same shall have been delivered within the specified period, of proper quality, and an adequate further delivery shall have been made towards the completion of the contract.

Payment. Payment will be made direct to the contractor, and not to an agent or attorney, by bills of exchange, to be drawn upon Her Majesty's Paymaster-general, Whitehall, London, at seven days' sight; which bills, however, must not be drawn until advice shall have been dispatched from the office of the Accountant-general, authorising him so to draw, and which authority will be dispatched thence within 16 days from the receipt in that office of the certificate, accompanied by his bill in original and duplicate, from the station at which the articles were delivered, showing the due delivery of such articles according to the terms and conditions of the contract in question, or within 16 days after the removal of objections which may arise thereon.

Penalty for non-fulfilment of contract. Should the contractor neglect or refuse to supply the articles contracted for, or any portion thereof, within the period or periods specified, the Secretary of State for War shall be at liberty, at any time after the expiration of any one of the specified periods, to purchase the said articles from other persons, and to charge the difference between the price paid for such articles so obtained and the contract prices, to the contractor, which difference may be deducted from any sums due to the contractor under this or any other contract, or demanded of him to be paid within 14 days to the Paymaster-general, to the credit of the War Office; or the said Secretary of State for War shall be at liberty, instead of purchasing the said articles of other persons, to require the contractor to pay the following penalties, namely: —If the said articles shall not be supplied within the period or periods specified, a penalty of one per cent. on the amount of the supplies still remaining to be furnished within such period or periods; if they shall not be supplied within 14 days after such period or periods as aforesaid, a penality of two per cent.; and if they shall not be supplied within 21 days after such period or periods, a penalty of four per cent.; and if they shall not be supplied within 30 days after such period or periods, a penalty of six per cent. (but such penalties shall not be cumulative), and every such penalty may be deducted from any sum that may be due to the said contractor under this or any other contract, or may be recovered from the said contractor as and for liquidated damages. In addition to the above, the Secretary of State for War shall be at liberty, if he think fit so to do, to terminate the contract at any one of the specified periods at which default shall have been made.

Contract and bond. The contractor (if required) to bring forward two sufficient securities, to enter into a bond, in amount not exceeding half the value of the stores to be provided, for the due performance of the contract, and half the expense of the stamps is to be paid by the contractor.

No fee or gratuity. The contract to be declared void, should the contractor, or any person employed by him, pay or offer to pay any gratuity or reward to any person in the employment of the War Office, for anything to be done by such person concerning the execution of the contract, for the passing or discharging any debenture or imprest for the payment of money in pursuance thereof.

Member of the House of Commons. No Member of the House of Commons to be admitted to any part or share of the contract, or to any benefit to arise therefrom.

The

The Secretary of State for War reserves to himself the power of rejecting any or all of the tenders, or of accepting such portion thereof as he may think fit, and he is not to be answerable in his private capacity, nor in his own person or estate, for anything connected with or arising out of the contract.

Power to reject tenders, and personal liability.

, the undersigned do hereby agree and bind to provide and deliver the articles enumerated in the list or schedule hereunto annexed to which have affixed prices, within the period above specified, and do hereby agree to abide by and fulfil all the terms and conditions above-mentioned, or in default thereof to forfeit and pay to Her Majesty, Her heirs or successors, such penalties or sums of money as are above-mentioned.

Dated the day of

(Signature)
(Address)
(If in London District)

(Witness's Signature)
(Witness's Address)

Parties making tenders are desired to be particular in filling up, dating, and signing their respective tenders, inserting their address, and having their signature witnessed, also in inserting the address of the witness; and they are desired to fill in their prices at "*per cwt.*" "*lb.*" "*doz.*" "*each,*" &c., as specified, and not to make any alterations in those denominations.

Form of Tender for Machinery.

War Office, Pall Mall, S. W.
1857.

The articles enumerated in the annexed Schedule being required for the service of this department, should you be desirous of tendering for the same, you are requested to fill up and sign this form of tender, as herein pointed out, and return it to this office on or before addressed to "The Director of Contracts," taking special care to mark upon the outside "Tender for Machinery." Any omission in this respect may lead to the offer not being duly considered.

Terms and Conditions of the Contract.

1. The machinery required is to be equal in all respects to the specifications, which will be supplied on application at

Description of the stores.

and is to be delivered, erected, and put in working order by the contractor at his own expense within the time or times specified; and parties tendering are, for their own security, recommended to inspect minutely the specification, as the contract is entirely governed thereby.

2. Previous to the machinery being accepted it will be examined, at the station at which it is to be delivered, by such officer or officers of the department as the Secretary of State for War may be pleased to appoint for this duty, and if not found to his or their entire satisfaction, it will be rejected, and the contractor is to remove the same at his own expense as soon as possible, without any allowance being made to him for such rejected articles.

Receipt or rejection.

3. The department will not be liable for any injury arising to the machinery until it is approved of.

4. The machinery will be inspected within 30 days after it is erected and put in working order, and if approved, a certificate for payment will be forwarded to the Accountant-general, War-Office, Pall Mall, London, within 10 days afterwards.

Inspection.

5. Each party tendering to forward with the tender an account in detail, naming all the peculiarities of the machine, and the metal to be employed in the construction of the various parts, and to furnish a design or rough drawing of the same, if required.

Description and design.

6. Payment will be made direct to the contractor (and not to an agent or attorney) by bills of exchange, to be drawn upon Her Majesty's Paymaster-general, Whitehall, London, at seven days' sight; which bills, however, must not be drawn until advice shall have been dispatched from the office of the Accountant-general, authorising the contractor so to draw, and which authority will be dispatched thence within 16 days from the receipt in that office of

Payment.

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of the certificate, accompanied by his bill in original and duplicate, from the department to which the machinery was supplied, showing the due delivery of such machinery according to the specification in question, or within 16 days after the removal of objections which may arise thereon.

Penalty for non-fulfilment of contract.

7. Should the contractor neglect or refuse to supply the machinery contracted for, or any portion thereof, within the period or periods specified, the Secretary of State for War shall be at liberty, at any time after the expiration of the specified period, to purchase the said articles from other persons, and to charge the difference between the price paid for such articles so obtained and the contract prices, to the contractor, which difference may be deducted from any sums due to the contractor under this or any other contract, or demanded of him to be paid within 14 days to the Paymaster-general, to the credit of the War-Office; or the said Secretary of State for War shall be at liberty, instead of purchasing the said machinery of other persons, to require the contractor to pay the following penalties: namely, if the said machinery shall not be supplied within the period or periods specified, a penalty of one per cent. on the total amount of the contract; if it shall not be supplied within 14 days after such period or periods as aforesaid, a penalty of two per cent.; and if it shall not be supplied within 21 days after such period or periods, a penalty of four per cent.; and if it shall not be supplied within 30 days after such period or periods, a penalty of six per cent. (but such penalties shall not be cumulative); and every such penalty may be deducted from any sum that may be due to the said contractor, under this or any other contract, or may be recovered from the said contractor as and for liquidated damages. In addition to the above, the Secretary of State for War shall be at liberty, if he shall think fit so to do, to terminate the contract at any one of the specified periods at which default shall have been made.

Contract and bond.

8. The contractor (if required) to bring forward two sufficient securities to enter into a bond, in amount not exceeding half the value of the machinery to be provided, for the due performance of the contract, and half the expense of the stamps to be paid by the contractor.

No fee or gratuity.

9. The contract to be declared void should the contractor, or any person employed by him, pay or offer to pay any gratuity or reward to any person in the employment of the War Office, for anything to be done by such person concerning the execution of the contract, or for the passing or discharging any debenture or imprest for the payment of money in pursuance thereof.

Member of the House of Commons.

10. No Member of the House of Commons to be admitted to any part or share of the contract, or to any benefit to arise therefrom.

Power to reject tenders, and personal liability.

11. The Secretary of State for War reserves to himself the power of rejecting any or all of the tenders, or of accepting such portion thereof as he may think fit; and he is not to be answerable in his private capacity, nor in his own person or estate, for anything connected with or arising out of the contract.

(signed) *Thomas Howell,*
Director-General of Contracts.

, the undersigned, do hereby agree and bind to provide and erect the machinery in the Schedule hereunto annexed to which have affixed prices, within the period therein specified; and do hereby agree to abide by and fulfil all the foregoing terms and conditions, or, in default thereof, to forfeit and pay to Her Majesty, Her heirs or successors, such penalties or sums of money as are above mentioned.

Dated the day of

(Signature.)

(Address.)

(Witness's signature.)

(Witness's address.)

Parties making tenders are desired to be particular in filling up, dating, and signing their respective tenders, inserting their address, and having their signature witnessed; also in inserting the address of the Witness.

CONTRACT LETTER, with the Specifications, for a supply of Cloth.

War Department, Pall Mall, 16 October 1856.
Y—19,733.

I HAVE to acquaint you that the Secretary of State for War has been pleased to direct steps to be taken with a view to the supply of cloth, which may be required during the ensuing year, and thus to give ample time to the manufacturers for the due preparation of the supply.

I enclose for your consideration five lists of the different qualities of cloth which will be required; viz.—

(A.) being the cloth for the Staff and Band Masters.
(B.) „ „ Serjeants and Musicians.
(C.) „ „ Brigade of Guards.
(D.) „ „ Cavalry.
(E.) „ „ Infantry.

The whole of these cloths to be made of pure new wool, without any admixture whatever.

Printed specifications of these several kinds of cloth are herewith forwarded to you.

The patterns of these cloths will be exhibited to you by the Director-general of Army Clothing, who will give samples for your guidance as to price; those parties to whom the orders are finally allotted will, if they require it, be furnished with a sample the full width of the cloth, of not less than one yard in length.

You will frame your price at the standard length of 36 inches, and not at 37 inches, as often adopted in the trade.

Each cloth must have the maker's name thereon, with the number and length upon a leaden seal, for reference.

These cloths are to be delivered at Weedon to the superintendent of the Army Clothing Depôt, for the inspection of the officers appointed for that purpose, whose decision shall be final.

The manufacturers to whom these cloths may be apportioned will be called upon to sign the usual terms and conditions which are adopted for all contracts for stores for the War Department; a copy of these terms and conditions are enclosed for your information; and in replying to this letter you will be pleased to express your readiness to accept any portion of the supply upon those conditions.

As far as the lists (A.) (B.) (C.) and (D.) are concerned, the quantities of cloth are stated, from which you will note the proportions to be delivered at the respective periods; as regards the cloth upon the list (E.), you are required to fix a quantity per month which you would undertake to deliver for a period of time, subject to three months' notice either by me, on behalf of the Secretary of State for War, or by yourselves. This arrangement, which giving to a manufacturer the advantage of lengthened occupation, it is expected will tend to secure a uniform and excellent supply.

In calling for prices for such portions of the demand as you may deem best suited to your manufacture, I am directed by the Secretary of State to impress upon you the great importance his Lordship attaches to the execution of this supply, whether as regards quality of material, manufacture, colour, or finish, in all which respects a perfect cloth is required; and I may further state an admixture of shoddy or woollen waste will be deemed an attempt at deception, and any party who is proved to have introduced such material into the supply, will not hereafter be allowed to tender for supplies for Her Majesty's Government.

In replying to this letter you will be expected to express yourself very distinctly upon this important point.

You will further bear in mind that the Director-general of Army Clothing will make such arrangements as will enable him to ascertain the destination of all cloth which may be provided for this supply, and should any well-founded complaint hereafter be received from any regiment of the inferior quality of the cloth after it has been introduced into use, the party who has furnished such cloth will not be applied to for future tenders.

I have to request your reply to this letter, which should be received by me on the morning of the 31st instant, marked outside, "Cloth."

No offer will be entertained for cloth not strictly in accordance with the pattern and specification.

I am
Your obedient servant,
(signed) *Thomas Howell.*

Appendix, No. 1.

(A.)

CLOTH LIST (A.) referred to in the Letter of the Director-General of Contracts, dated 16 October 1856, for the Infantry Staff.

Staff-serjeants	scarlet tunic	1,200	yards.
Band masters	white ditto	160	„
Staff-serjeants	green ditto	60	„
Staff-serjeants and band	grey trousers	1,050	„
Staff-serjeants	green ditto	50	„

To be delivered at Weedon:

One-fourth by the 28th February 1857.
One-fourth „ 31st May „
One-fourth „ 31st August „
One-fourth „ 31st October „

Prices to be estimated at per yard of 36 inches.

Patterns will be exhibited by Director-general of Army Clothing, from whom small samples will be obtained of the particular qualities required.

War Department, Pall Mall,
October 1856.

(B.)

CLOTH LIST (B.) referred to in the Letter of the Director-General of Contracts, dated 16 October 1856, for the Infantry.

Serjeants and Musicians:

Scarlet tunic	9,000	yards.
White ditto	4,000	„
Green ditto	1,200	„
Grey trousers	11,000	„
Green ditto	1,000	„

To be delivered at Weedon:

One-fourth by the 28th February 1857.
One-fourth „ 31st May „
One-fourth „ 31st August „
One-fourth „ 31st October „

Prices to be estimated at per yard of 36 inches.

Patterns will be exhibited by the Director-general of Army Clothing, from whom small samples will be obtained of the particular qualities required.

War Department, Pall Mall,
October 1856.

(C.)

CLOTH LIST (C.) referred to in the Letter of the Director-General of Contracts, dated 16 October 1856, for the Brigade of Foot Guards.

Serjeant and band	scarlet tunic	750	yards.
Privates	scarlet ditto	7,500	„
Serjeants and band	grey trousers	600	„
Privates	grey ditto	6,500	„

To be delivered at Weedon:

One-half by the 1st May 1857.
One-half „ 1st August „

Prices to be estimated at per yard of 36 inches.

Patterns will be exhibited by the Director-general of Army Clothing, from whom small samples will be obtained of the particular qualities required.

War Department, Pall Mall,
October 1856.

(D.)

CLOTH LIST (D.) referred to in the Letter of the Director-General of Contracts, dated 16th October 1856, for the Cavalry.

Serjeant-majors - - - - -	scarlet tunic - - - -	20 yards.
Serjeants and musicians - -	scarlet ditto - - - -	1,000 „
Privates - - - - - - - -	scarlet ditto - - - -	6,800 „
Serjeant-majors - - - - -	blue ditto - - - -	25 „
Serjeants and musicians - -	blue ditto - - - -	1,200 „
Privates - - - - - - - -	blue ditto - - - -	9,000 „
All ranks - - - - - - - -	blue overall - - -	18,000 „
Ditto - - - - - - - -	crimson ditto - - - -	600 „
Staff-serjeants - - - - -	blue - ditto - - - -	60 „

To be delivered at Weedon:

20 yards scarlet tunic, by 28th February 1857.
25 yards blue tunic, by 28th February 1857.
600 yards crimson overall, by 31st August 1857.

The remainder

One-fourth by the 28th February 1857.
One-fourth „ 21st May „
One-fourth „ 31st August „
One-fourth „ 31st October „

Prices to be estimated at per yard of 36 inches.
Patterns will be exhibited by the Director-General of Army Clothing, from whom small samples will be obtained for the particular qualities required.

War Department, Pall Mall,
October 1856.

(E.)

CLOTH LIST (E.) referred to in the Letter of the Director-General of Contracts, dated 16th October 1856, for the Infantry Privates.

Privates, red tunic.
„ green tunic.
„ grey trousers.
„ grey trousers, of the E. I. pattern.
„ green trousers.

To be delivered at Weedon.

Parties tendering are requested to state the quantity they can undertake to deliver monthly, commencing in February next, and the price which is to be estimated at per yard of 36 inches.
Patterns will be exhibited by the Director-General of Army Clothing, from whom small samples will be obtained of the particular qualities required.

War Department, Pall Mall,
October 1856.

LIST (A.)

SPECIFICATION for the Guidance of Persons tendering for the supply of Cloth for Staff Serjeants and Band Masters of Her Majesty's Infantry Regiments of the Line.

SCARLET CLOTH for tunics of staff serjeants to weigh 1 lb. 5 oz. per yard (58 inches wide).

GREEN CLOTH for tunics of staff serjeants and band masters of rifle regiments to weigh 1 lb. 5 oz. per yard (58 inches wide).

WHITE CLOTH for tunics of band masters to weigh 1 lb. 5 oz. per yard (58 inches wide).

OXFORD GREY, DOESKIN, or CASSIMERE for trousers of staff serjeants and band masters to weigh 13 oz. to 14 oz. per yard.

GREEN CLOTH for trousers of staff serjeants and band masters of rifle regiments to weigh 1 lb. 5 oz. per yard (58 inches wide).

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The scarlet cloth to be of fine scarlet colour, all cochineal dye, and dyed through and through.

The rifle cloths to be woaded colour, and dyed through and through, and stand the test of muriatic acid.

The Oxford grey doeskin to be woaded colour.

All the cloths to be quite equal in colour, quality, make, and weight, and similar to the sealed patterns in every particular.

All the cloths to be made from new sound wool; and should any portion of a delivery be found to contain "woollen waste," or "shoddy," or anything else than new wool, the whole delivery will be rejected.

The scarlet, green, and white cloths to measure 58 inches wide within the lists.

The Oxford grey, doeskin, or cassimere to be quite 28 inches wide within the lists, or subject to a deduction according to the following scales:

If 27 inches wide, deduct 1 yard for each 36 yards.
If 27 ½ - ditto - ½ yard ditto 36 „

No cloth of this description will be received under 27 inches in width.

The cloth to be delivered at Weedon free of expense; and all cloth that may be rejected by the inspecting officer, to be repacked and removed, at the contractor's expense, from the place of inspection within seven days after the notice has been received by the contractor.

Each piece of cloth to have the length marked on a lead seal, and the bales marked so as easily to be identified with the invoice.

Twelve yards of each description of cloth to be sent to Weedon, as a sample for comparison with the sealed pattern, previous to the whole supply being delivered.

The decision of the Director-general of Army Clothing to be final.

List (B.)

Specification for the Guidance of Persons tendering for the Supply of Cloth for Serjeants and Musicians of Infantry Regiments of the Line.

Scarlet Cloth for serjeants' tunics to weigh 1 lb. 10 oz. per yard.

White Cloth for musicians' tunics to weigh 1 lb. 8 ½ oz. per yard.

Green Cloth for tunics of serjeants and musicians of rifle corps to weigh 1 lb. 9 oz. per yard.

Oxford Grey Cloth for serjeants' and musicians' trousers to weigh 1 lb. 10 oz. to 1 lb. 11 oz. per yard.

Green Cloth for trousers of serjeants and musicians of rifle corps to weigh 1 lb. 9 oz. per yard.

The scarlet cloths to be of fine scarlet colour, all cochineal dye, and dyed through and through.

The rifle cloths to be "woaded" colour, and dyed through and through, and stand the test of muriatic acid.

The Oxford grey cloth to be kersey wove, and "woaded" colour.

All the cloths to be quite equal in colour, quality, make, and weight, and to be similar to the sealed pattern samples in every particular.

All the cloths to be made of new sound wool; and should it be found that any portion of a delivery of cloth contains "woollen waste" or "shoddy," or anything else than new wool, the whole delivery will be rejected.

All the cloths to be quite 54 inches between the lists, or subject to a deduction according to the following scale:

If 52 inches wide, deduct 2 yards for each 36 yards.
If 52 ½ - - ditto - - 1 ¼ - ditto - 36 „
If 53 - - ditto - - ¾ - ditto - 36 „

No cloth will be received under 52 inches in width.

The cloth to be delivered at Weedon free of expense; and all cloth that may be rejected by the inspecting officer, to be repacked and removed, at the contractor's expense, from the place of inspection within seven days after notice has been received by the contractor.

Each piece of cloth to have the length marked on a lead seal, and the bales marked so as easily to be identified with the invoice.

Twelve yards of each description of cloth to be sent to Weedon, as a sample for comparison with sealed pattern, previous to the whole supply being delivered.

The decision of the Director-general of Army Clothing to be final.

List (C.)

Specification for the Guidance of Persons tendering for the Supply of Cloth for Serjeants, Bands, and Privates of Her Majesty's Regiments of Foot Guards.

Scarlet Cloth for tunics of serjeants and bands to weigh 1 lb. 8 oz. per yard.

Scarlet Cloth for tunics of privates to weigh 1 lb. 9 oz. per yard.

Oxford Grey Cloth (or Doeskin) for serjeants and bands to weigh 14 oz. to 15 oz. per yard.

Oxford Grey Cloth for privates to weigh 1 lb. 11 oz. per yard.

The scarlet cloths to be fine scarlet colour, all cochineal dye, to be dyed through and through.

The Oxford grey cloths to be woaded colour, and shrunk, and that for the privates to be kersey wove.

All the cloths to be equal in colour, quality, make, and weight, and to be similar to the sealed pattern samples in every particular.

All the cloths to be made from new sound wool; and should any portion of a delivery of cloth be found to contain "woollen waste" or "shoddy," or anything else than new wool, the whole delivery will be rejected.

The scarlet cloth for the tunics of the serjeants and bands to be quite 56 inches wide within the lists, or subject to a deduction, according to the following scale:

If 54 inches wide, deduct 2 yards for every 36 yards.
If 54½ - - ditto - - 1¼ - ditto - 36 „
If 55 - - ditto - - ¾ - ditto - 36 „

No cloth of this description will be received under 54 inches wide.

The scarlet cloth for privates to be quite 54 inches wide within the lists, or subject to a deduction, according to the following scale:

If 52 inches wide, deduct 2 yards for each 36 yards.
If 52½ - - ditto - - 1¼ - ditto - 36 „
If 53 - - ditto - - ¾ - ditto - 36 „

The Oxford grey cloth or doeskin for serjeants to measure 28 inches wide within the lists, or to be subject to a deduction according to the following scale:

If 27 inches wide, deduct 1 yard for each 36 yards.
If 27½ - - ditto - - ½ - ditto - 36 „

No cloth of this description will be received under 27 inches in width.

The Oxford grey cloth for privates to be quite 54 inches wide between the lists, or subject to a deduction according to the following scale:

If 52 inches wide, deduct 2 yards for each 36 yards.
If 52½ - - ditto - - 1¼ - ditto - 36 „
If 53 - - ditto - - ¾ - ditto - 36 „

No cloth of this description will be received under 52 inches in width.

The cloth to be delivered at Weedon free of expense; and all cloth that may be rejected by the inspecting officer, to be repacked and removed, at the contractor's expense, from the place of inspection within seven days after notice has been received by the contractor.

Each piece of cloth to have the length marked on a lead seal, and the bales marked so as easily to be identified with the invoice.

Twelve yards of each description of cloth to be sent to Weedon, as a sample for comparison with the sealed pattern, previous to the whole supply being delivered.

The decision of the Director-general of Army Clothing to be final.

List (D.)

Specification for the Guidance of Persons tendering for the Supply of Cloths for Her Majesty's Regiments of Cavalry.

Scarlet Cloth for tunics of regimental serjeant-majors to weigh from 1 lb. 6 oz. to 1 lb. 7 oz. per yard.

Scarlet Cloth for tunics of serjeants to weigh from 1 lb. 8 oz. to 1 lb. 9 oz. per yard.

Scarlet Cloth for privates and bands to weigh from 1 lb. 10 oz. to 1 lb. 11 oz. per yard.

Blue Cloth for tunics of regimental serjeant-majors to weigh from 1 lb. 6 oz. to 1 lb. 7 oz. per yard.

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BLUE CLOTH for tunics of serjeants to weigh from 1 lb. 8 oz. to 1 lb. 9 oz. per yard.

BLUE CLOTH for tunics of privates and band to weigh 1 lb. 10 oz. to 1 lb. 11 oz. per yard.

BLUE CLOTH for overalls for all regimental serjeant-majors to weigh from 1 lb. 6 oz. to 1 lb. 7 oz. per yard.

BLUE KERSEY CLOTH for overalls for all ranks (except regimental serjeant-majors) to weigh 1 lb. 15 oz. per yard.

CRIMSON CLOTH for overalls of all ranks of 11th Hussars (except regimental serjeant-majors) to weigh from 1 lb. 10 oz. to 1 lb. 11 oz. per yard.

All the scarlet cloths to be dyed through and through of pure cochineal dye.
All the blue cloths to be wool dyed with sound indigo dye.
The crimson cloth to be kersey wove and dyed "ingrain" colour.
All the cloths to be quite equal in colour, quality, weight, and make, and to be similar to the sealed pattern samples in every particular.
The cloths to be made from new sound wool; and should any portion of a delivery of cloth be found to contain "woollen waste" or "shoddy," or anything else than new wool, the whole delivery will be rejected.
The scarlet and blue tunic cloth to be quite 54 inches within the lists, or subject to a deduction, according to the following scale:

If 52 inches wide, deduct 2 yards for each 36 yards.
If 52½ - - ditto - - 1¼ - ditto - 36 „
If 53 - - ditto - - ¾ - ditto - 36 „

No scarlet or blue cloth will be received under 52 inches in width.
The blue and crimson overall cloths to be quite 54 inches wide between the lists, and cloth of less width than 54 inches will be rejected.
All the cloths to be delivered at Weedon free of expense; and all cloth that may be rejected by the inspecting officer, to be repacked and removed, at the contractor's expense, from the place of inspection within seven days after notice has been received by the contractor.
Each piece of cloth to have the length marked on a lead seal, and the bales marked so as easily to be identified with the invoice.
Twelve yards of each description of cloth to be sent to Weedon as a sample for comparison with the sealed pattern previous to the whole supply being delivered.
The decision of the Director-general of Army Clothing to be final.

LIST (E).

SPECIFICATION for the Guidance of Persons tendering for the Supply of Cloths for Privates and Drummers of Infantry Regiments of the Line.

RED CLOTH for tunics for privates and drummers to weigh 1 lb. 9½ oz. per yard.

GREEN CLOTH for tunics of privates and buglers of rifle regiments to weigh 1 lb. 9½ oz. per yard.

OXFORD GREY CLOTH for trousers of privates and drummers to weigh 1 lb. 10 oz. to 1 lb. 11 oz. per yard.

OXFORD GREY CLOTH (E. I. Pattern) for trousers of privates and drummers to weigh 1 lb. 8 oz. to 1 lb. 9 oz. per yard.

GREEN CLOTH for trousers of privates and buglers of rifle regiments to weigh 1 lb. 9½ oz. per yard.

The red cloth to be dyed through and through with pure madder dye.
The green cloths to be woaded colour, and dyed through and through, and stand the test of muriatic acid without changing colour.
The Oxford grey cloths to be woaded colour, kersey wove, and shrunk.
The cloths to be quite equal in colour, quality, make, and weight, and similar to the sealed pattern samples in every particular.
The cloths to be made of new sound wool; and should any portion of a delivery of cloth be found to contain "woollen waste" or "shoddy," or anything else than new wool, the whole delivery will be rejected.
The cloth to be quite 54 inches within the list, or subject to a deduction, according to the following scale:—

If 52 inches wide, deduct 2 yards for each 36 yards.
If 52½ - - ditto - - 1¼ - ditto - 36 „
If 53 - - ditto - - ¾ - ditto - 36 „

No cloth will be received under 52 inches in width.

The

The cloth to be delivered at Weedon free of expense; and all cloth that may be rejected by the inspecting officer, to be repacked and removed, at the contractor's expense, from the place of inspection within seven days after notice has been received by the contractor.

Each piece of cloth to have the length marked on a lead seal, and the bales marked so as easily to be identified with the invoice.

Twelve yards of the cloth to be sent to Weedon, as a sample for comparison with the sealed pattern, previous to the whole supply being delivered.

The decision of the Director-general of Army Clothing to be final.

NEW FORM OF INQUIRY AS TO COMPETENCY.

War Department, Pall Mall.

M. having made application for name to be included in the list of persons to be written to for tenders for the supply of for the service of the War Department;

I am desired by the Secretary of State for War to request that you will reply to the annexed questions (M. having named you as a reference), returning the paper to me at your earliest convenience.

I am
Your humble servant,

Thomas Howell.

1. How long have you known M ?

2. manufacturer or producer of?

3. Do you consider competent to execute contracts of an extensive character?

4. Is your opinion founded upon your general knowledge of or have you a practical knowledge of ability from actual business transactions?

Name.

Address.

Date.

Date and Number of Letter from the War Department, to which the above is an answer.

Appendix, No. 2.

Appendix, No. 2.

Paper furnished by *C. S. Elliott*, Esq., in reference to his Evidence of 3 March 1857.

Regulations for the Conduct of the Tower Inspection Branch, approved by Director-General of Stores, 4th March 1856, No. 1414—T.[a].

Firstly. The Superintendent of Inspectors being a member of the Storekeeper's Department, will take the Storekeeper's instructions with respect to the arrangements and conduct of the Inspecting Department, and if he should think it desirable to make any change in them, he will submit his proposals to the Storekeeper.

He will be responsible for the entire duties of his department, and will suggest such rules and regulations, the necessity of which may arise from time to time, both as to the efficiency of inspection and the prevention of unreasonable delay.

It will not be his duty to examine or inspect stores as to quality or fitness for the service, except in so far as his opinion may be sought by the Inspectors, in confirmation of their own, or where doubts may arise as to the supply, either in their, or in his mind.

It will be his particular duty to answer with dispatch all references through the Civil officers relative to the inspection of stores, and conduct the correspondence with Contractors, and also to sign all certificates for payment of Contractors, and return them to the Storekeeper with as little delay as possible.

He will suffer no one in this branch to communicate with Contractors, excepting through himself, or in his presence.

It is expected that once a day at least, and more frequently if practicable, he will visit personally, in company with the Inspector of each division, every Viewer employed, obtain a general knowledge of the progress made, and the amount of work remaining for inspection, and render by his advice and judgment such assistance as may be necessary.

Secondly. The duties of the Inspectors will be to obtain instructions as to the conduct of the division of inspection committed to their charge from the Superintendent, to whose control they will be subject.

Their principal duty will be carefully to compare the supply with the specifications and patterns, and to take care that it shall in every respect correspond with them.

The Inspectors will be responsible in all cases for the quality and fitness of the stores inspected by them, or by the Viewers working under them; but as it is not supposed that every article viewed will pass under the individual notice of the Inspectors, great vigilance will be necessary on their part to see that stores are not marked as approved, which are unfit for the service.

They will see that the stores are properly described in the Inspection Report according to the terms of the specification or order, the service stated, and the order for the supply quoted. Upon the completion of the inspection, they will insert in the proper columns the quantities accepted or rejected, and against each item of rejection they will clearly and fully state the cause, that notice of the same may be forthwith sent to the Contractor.

The Inspection Report will be signed by the Inspector when complete.

Should the average daily receipts of stores exceed their means of inspection, either through want of space, or insufficiency of Viewers, the same should be immediately notified to the Superintendent, and repeated as often as occasions may arise.

They will see that the Viewers make the necessary entries of each inspection in the Viewers' Journal; but will not be required to keep books, as it is intended the whole of their time shall be spent in inspecting stores, and giving the requisite directions to the Viewers.

All receipt transit notes made out by the Viewer to accompany the stores when handed over to the Storekeeper's charge, are to be signed by the Inspector who has passed them.

Thirdly. The duties of the clerks appointed to assist in the inspection branch will principally be to keep a concise register of references, and the delivery vouchers sent to the Superintendent from the Storekeeper's office; to enter letters to Contractors in a letter-book, to compare certificates of payments with the entries in the Contractors' ledgers, kept in the Storekeeper's office, prior to the same being signed by the Superintendent; to write out, and transmit to Contractors, notices of rejections; to write many letters of small moment, and generally to assist in the conduct of the office.

The ledgers of Contractors' accounts to be kept in the Storekeeper's office alone, and to be discontinued in the inspection branch.

Fourthly. The inspection of stores to be separated into four classes or divisions; viz.—

First Division.—Mr. *Page*, Inspector.

This will comprise linen, cotton, woollen and waterproof articles, such as marquees, tents, valises, pin bags, linen paillasses, bolster-cases, sheets, slip cases for beds and bolsters, haversacks,

haversacks, nose bags, bags for camp kettles, dowlas, Osnaburgh, linen, duck, packing-canvas, tarpaulins, hospital and barrack rugs and blankets, mops, cotton canvas for tents, flags, bunting, hospital dresses, drawers and shirts, hair beds and bolsters, feather pillows, horse-hair, &c. &c.

SECOND DIVISION.—Mr. *Looker*, Inspector.

Tools for field service, mining, and for general service, of great variety, locks, saws, cutlery, fire-irons, tin and zinc ware, barrack and hospital utensils, camp kettles, &c. &c.

THIRD DIVISION.—Mr. *M'Donald*, Inspector.

Fire engines, pumps, agricultural implements, cranes, clocks, lathes, stoves, pipe, iron bedsteads, coal boxes, fenders, ironwork for soldiers' tables and forms, &c., barrack, hospital and office furniture, tent and picket poles, mallets, tent pins, coal trays, tool chests, packing cases, mess-trays, exercising clubs, wooden bedsteads, pails, buckets, tubs, canteens, water-butts, vats, &c., brushes, ironmongery, musical instruments, ropes and twines, stamps, mats, scales and weights, pewter ware, lamps, metals, candles, cotton wick, and miscellaneous stores.

FOURTH DIVISION.—Mr. *Fessey*, Inspector.

Accoutrements, scabbards, leather, fire buckets and cavalry buckets, hose pipes, straps, &c. &c.

And to this division will be attached all articles that it may be necessary to inspect away from the premises, such as brick, stone, coal, slate, oats, &c. &c.

(signed) *J. R. Godley.*

Certified true copy.

Chas. S. Elliott,
Superintendent of Inspectors.

5 March 1857.

I N D E X.

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Leave is occasionally given to additional parties to tender after the circulars have been issued to those on the office list, but never after any tenders have been received, *Howell* 104. 107——The office list applies to some 300 articles, *ib.* 138, 139——It does not follow that because a supply is rejected the name of the contractor is removed from the list, *ib.* 296, 297——Inexpediency of a rigid adherence to the system of open tender and public competition, *ib.* 514.

There has been no change in the system of the contract department in regard to the office list, since witness's approval of the system before the Committee of 1856, *Godley* 551–559——The list ensures sufficient publicity, and is almost as public as a system of advertisement, *ib.* 559–563.

New form of inquiry as to the competency of persons wishing to be placed on the office list, *App. p.* 81.

See also *Advertisements.* *Boots.*

Officers of Regiments. Doubt as to the practice of officers of regiments in regard to the rejection of stores or accoutrements, *Godley* 621–624——Attention paid to complaints by officers in regard to the faultiness of any supply, *ib.* 693–697.

Old Stores. See *Sale of Stores.*

Out Stations. Objection to an extended purchase of articles at the out-stations, *Godley* 607——Many articles are now obtained locally by the engineer's department, *ib.* 609–611.——*See* also *Transmission of Stores.*

P.

Page, Mr. Articles comprised in the first division of stores in the Tower, of which Mr. Page is inspector, *App. p.* 82, 83.

Patterns. The patterns for supplies required by the War Department are always with the several departments for which the supplies are wanted, *Howell* 26——Course adopted with regard to the supply of patterns; occasional complaint hereon by contractors, *ib.* 157–163. 182——System in regard to the preparation and approval of patterns of which there are from 8,000 to 10,000, *Godley* 700. 711.

The greater part of the patterns in use have been of long standing, *Elliott* 909——As a general rule a change of pattern does not prevent the issue of articles in store, *ib.* 969——Frequent change of pattern leads to considerable expense, *ib.* 970, 971——Practice in furnishing the contractors for boots with patterns, *Pew* 1146, 1147.

Conditions in regard to furnishing duplicate patterns to contractors, *App. p.* 72.

Payment. Statement as to the lapse of about two months between the delivery of goods and the actual payment for them; advantage if the practice hereon could be amended so as to shorten the period before cash is paid, *Howell* 294. 491–498——When cloth has passed the inspection it is considered that the Government is bound to pay for it, even though it subsequently prove very inferior, *ib.* 295.

Conditions in tenders in regard to payment, *App. p.* 72.

See also *Certificate for Payment.*

Penalties. See *Fines or Penalties.*

Pew, James. (Analysis of his Evidence.)—Was last year inspector of stores at the Tower, 1114——With regard to a delivery about a year ago of from 160,000 to 200,000 pairs of boots and shoes, about twenty-five per cent. were rejected by the inspectors, 1115. 1117. 1141–1144. 1153——Mode of inspection of these boots and shoes by the viewers and by witness, as inspector, 1116——Circumstances which may have led to many defective boots having been passed; the inspection was necessarily conducted very hastily, and in a limited space or area altogether unsuited to the process of viewing, 1118, 1119. 1132–1134. 1140. 1148–1151.

Statement as to witness having subsequently seen the boots at Weedon, in consequence of the complaints against them; the boots had then been some time in stores, and any defects had become very apparent, but it is altogether inaccurate to say that 150,000 or 200,000 pairs were unfit for service, 1119–1124. 1136–1140. 1154–1163——Every article

Report, 1857—*continued.*

Pew, James. (Analysis of his Evidence)—*continued.*

at the Tower is viewed separately, 1125——In the case of the boots, there were twenty viewers under one inspector, 1126.

Witness has no reason to believe there was any dishonesty in passing the boots, 1127–1130——Nor that the viewers were incompetent, 1131. 1152——The contract for the boots were made during the war, 1143, 1144——Mode of contract adverted to, 1145——Practice in furnishing the contractors for boots with patterns, 1146, 1147——The viewers are, for the most part, accustomed to the trade, and are trained and intelligent men, 1152.

Pickaxes. Reference to some pickaxes used in the Crimea and found defective; they were obtained under the system of competition for price, *Howell* 334-339——Pickaxes are delivered at Woolwich, *Elliott* 964-966.

Prices. Enhancement of price, as being the consequence of publicity, is the main reason which induces the War Department not to advertise for supplies, *Howell* 41-60——Belief that the lowest price is obtained under the system of an office list, *ib.* 53——Rule of the War Department never to make public the price at which contracts are taken, *ib.* 98-100——Impossibility of one contractor knowing the price at which another tenders, *ib.* 112——Objection to making public the prices at which articles are purchased by Government until some time after the completion of the contract, when there may be some advantage in doing so, *ib.* 515–526.

See also *Coals. Cocoa. Competition for Price. Rum. Saltpetre.*

Public Competition. See *Advertisements. Office List. Prices.*

Q.

Quality of Supplies. See *Advertisements. Boots. Cloth and Clothing. Competition for Price. Competition for Quality. Edge Tools. Inspection. Office List. Rejections.*

R.

Ramsay, George D. By the order of the 2d February, the Director-general of Army Clothing has joined the Horse Guards, and Mr. Ramsay has become Assistant-Director of Stores and Clothing, *Howell* 19–21.

Regimental Colours. Reference to regimental colours, as being now provided by tender, *Howell* 104–106. 108, 109.

Rejections. There are necessarily several rejections in every contract, the rejections not proving that the contract is improperly fulfilled, *Godley* 645-650——The store department can supply a detailed statement of the rejections, *ib.* 647. 653——Possibility of the occasional rejection by mistake, of articles not coming up to the standard, *ib.* 707–709——The rejected articles are not passed into witness's charge, as storekeeper, *Eaton* 723——The contractors are furnished with a copy of the number of articles rejected, and of the causes of rejection, *Elliott* 924. 926.

See also *Appeal Fines or Penalties. Inspection.*

Requisitions. Witness, as Director of Contracts for the War Department, receives the requisitions on which the contracts are made, from the several departments requiring supplies, *Howell* 3——Mode of origination of the requisitions on which witness acts, *ib.* 22–24.

Nature of the requisitions on which issues are made by the storekeeper, *Godley* 584–586. 598, 599——Requisitions on the contract department accordingly as stores are issued and required to be replaced, *ib.* 590–594. 597.

Rum. Fluctuation in the price of rum adverted to as the result of the Admiralty contracts, *Howell* 486.

S.

Saddles. Reference to the supply of some defective saddles for the camp at Shorncliffe; the fault was with the inspector, *Godley* 624-628.

Sale of Stores. The charge of the sale of stores rests with the Director of Stores, and not in any way with witness, *Howell* 499, 500——How far communication is made between the different departments with a view to one department purchasing the stores of another, *ib.* 501–511.

Report, 1857—*continued.*

Sale of Stores—continued.

Particulars relative to a large quantity of stores which have been lately returned from the Crimea, and have been sold by public auction, *Eaton* 822–845. 852–863. 873–889——Several articles were sold that were in a perfectly good condition; very fair prices were obtained, *ib.* 828, 829——It has not been the practice to communicate with the Admiralty or other Government departments before selling articles which they might have required; exception in the case of some stores returned from the Crimea and taken from the Store Department by the Board of Trade, *ib.* 861–863. 873, 874——Belief in the inaccuracy of the statements that articles returned from the Crimea were bought by contractors at a very low price and again supplied to Government; many of the articles bore the Government mark, *ib.* 881–889——A large quantity of these articles were damaged or obsolete in pattern, and were sold, *ib.* 1027–1034. 1096. 1103——Some serviceable stores returned from the Crimea were sold, *ib.* 1098–1100.

Further statement that the Store Department did not communicate with the Admiralty before selling the stores returned from the Crimea, *Eaton* 1105, 1106.

See also *Blankets.*

Saltpetre. Practice in regard to the provision of saltpetre for gunpowder; advantage of effecting the purchase through a broker, *Howell* 142–145. 368–374——Economy consequent on the purchase by Government, at the suggestion of witness, of 2,000 tons of saltpetre at Calcutta; low price and good quality thereof, *ib.* 374–378. 387——Witness is satisfied that 8 *l.* or 10 *l.* a ton was saved by the arrangement, *ib.* 373, 374.

Schedule of Prices. Practice in regard to a schedule of prices in the case of building contracts, *Howell* 428–430——Doubt as to there being an uniform schedule of prices in regard to purchases by the engineers, *Godley* 612, 613.

Secretary of State for War. The Secretary of State is now the nominal buyer of stores and supplies instead of witness, *Howell* 532, 533.

Security. Peculiar circumstances under which security is required by the War Department from the contractors, *Howell* 119. 122–124. 132–134——System of security adopted as regards the erection of works, *ib.* 407–410. 431, 432.

Shakos. Explanation as to the Clothing Department having made a contract for the supply of shakos independently of the Contract Department, *Howell* 173–176.

Small Purchases. In the case of purchases under 50 *l.* the Contract Department does not as a rule send circular letters to the contractors, *Godley* 700–703.

Special Contracts. Under certain circumstances witness makes special contracts, *Howell* 179.

Stock. Of stores that are not perishable a considerable quantity is always kept on hand, *Godley* 565——Instructions to witness on the return of the articles from the Crimea, not to keep more than 18 months' supply in store; in some articles a larger supply has been kept, *Eaton* 842, 843. 850–852——Stock is taken at the Tower, but a survey is only made in case of a complaint, and does not apply to the stores generally, *Elliott* 1101, 1102——Stock is now about to be taken; it is about six years since the actual stock was last taken, *ib.* 1108. 1112, 1113.

Store Department. Memorandum defining the course to be pursued with reference to contracts for the purchase of stores, *Howell* 5; *App. p.* 70.

There was no alteration in the organisation of the Store department during witness's tenure of office, as Director general of Stores, *Godley* 537, 538——Stores are received by the department from the contractors, in accordance with previous notice from the contract department, *ib.* 539–541——Receipts of all stores into a separate store-room for inspection, *ib.* 544–546. 550——All stores of the War department, except clothing, are in the custody of witness, *ib.* 565–567——Sundry stores under charge of the present Store department which were formerly under the Ordnance, *ib.* 600–606——Reference to the cost of the Store department as forming a part of the general cost of the stores, *ib.* 699.

Witness is storekeeper at the Tower, *Eaton* 712, 713——The duties of the office are the receipt, custody, and issue of the stores, *ib.* 714——Different articles received at the Tower, *ib.* 729–735——Four divisions in which the articles are received in the Tower are comprised, *Elliott* 910–917——The stores in the Tower are examined from time to time; it would be difficult to make an annual survey, *Eaton* 1107–1110.

T.

Tenders. Explanation as to the form of tender issued by witness on the receipt of requisitions, *Howell* 27——Statement as to tenders being occasionally issued gradually, when large supplies of any article are required, *ib.* 61–65, 487–490——Detailed regulations

Report, 1857—*continued.*

Tenders—continued.

under which tenders are received and examined, *Howell* 115, 125, 126——Occasional omission of contractors to indorse their tenders as directed to do, *ib.* 116–118.

Practice in regard to the issue of tenders for keeping up the supply in the Store department, *Eaton* 846, 847. 850, 851——The contracts are so regulated, that the supplies are spread over a number of months, *Elliott* 973–980.

Form of tender issued by the War department, *App. p.* 71.

See also *Advertisements.* *Office List.*

Tools. The tools in witness's charge at the Tower are carefully kept, and are examined from time to time, *Eaton* 810–813.——*See* also *Edge Tools.* *Pickaxes.*

Tower. See *Inspection.* *Store Department.*

Transmission of Stores. All issues of barrack furniture are made from the Tower; question as to the expediency thereof on account of the expense of transmission, *Howell* 457–474.

Transmission from London to Dublin of almost all articles required in Ireland, *Godley* 570, 571——Transmission to the Tower, Woolwich, or Weedon, of all articles obtained by contract in any part of the kingdom, at the expense of the contractors, *ib.* 572. 574——Few supplies obtained from distant contractors, *ib.* 574, 575——It might be desirable in the case of barrack furniture, brooms, &c. to provide those things in Ireland and other distant parts, instead of sending them from London, *ib.* 578–583. 607, 608——Though the transmission of some articles to out-stations is a large expense as compared with their price; it is on the whole desirable to send all barrack stores from the Tower, *Eaton* 747–752.

Transport of Stores. The transport of stores is an Admiralty charge, *Howell* 478.

V.

Viewers. See *Inspection.*

W.

War Department. Memorandum dated 24th May 1856, stating the course to be pursued by the contract branch of the War Department, with reference to contracts for the purchase of stores, the execution of works, and the performance of various services in connexion with the War department, *Howell* 4, 5; *App. p.* 70.

General classification of the articles which are subjects of contract for the various sub-departments of the War Department, *Howell* 36–39.

List of the establishment of the War Office, dated 1857, *App. p.* 69, 70.

Wear of Articles. Objection to purchases of clothing, &c. being regulated by the test of the wear of the articles, founded on a system of officers' reports, *Godley* 684–691.

Weedon. Clothing and saddlery are received at Weedon, *Eaton* 730. 753——Witness has no power over the inspection at Weedon, *Elliott* 918, 919.

See also *Cloth and Clothing.*

Woolwich. Guns, shot, and shell are received at Woolwich, *Eaton* 733. 748, 749.

See also *Machinery.* *Manufacturing Departments.*

Works and Buildings. Memorandum defining the course to be pursued with reference to contracts for the execution of works or buildings for the War Department, *Howell* 5; *App. p.* 71——Evidence in explanation of the system of contracting for the erection of buildings or fortifications, *Howell* 113, 114. 388–401. 407–432——The rule is to advertise for building contracts, and to accept the lowest tender, *ib.* 113, 114. 135. 423–427——Requirement of security in the case of contracts for buildings, *ib.* 132–134.

After specifications have been prepared local tenders are advertised for, and are forwarded to Pall Mall for examination, *Howell* 388–398——Inquiry made by the commanding engineer officer of the district into the competency of the contractors, *ib.* 388. 391. 399. 408——Practice in the event of the lowest tender being higher than the estimate, *ib.* 388——Work under 300 *l.* is done under triennial contract, a reference to Pall Mall not being necessary, *ib.* 394–396——Doubt as to inconvenient delay through the tenders being sent to Pall Mall, *ib.* 400, 401.

See also *Schedule of Prices.* *Security.*

REPORT

FROM THE

SELECT COMMITTEE

ON

CONTRACTS FOR PUBLIC DEPARTMENTS

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

MINUTES OF EVIDENCE,

APPENDIX AND INDEX.

Ordered, by The House of Commons, *to be Printed,*
9 *March* 1857.

[*Price* 1*s.* 2*d.*]

93.

Under 16 *oz.*

731

REPORT

FROM THE

STANDING COMMITTEE

ON THE

LIBRARY OF THE HOUSE OF COMMONS;

WITH THE

PROCEEDINGS OF THE COMMITTEE.

Ordered, by The House of Commons, *to be Printed,*
17 *March* 1857.

Jovis, 19° die Februarii, 1857.

Resolved, THAT a Standing Committee of Sixteen Members be appointed to assist Mr. Speaker in the direction of the Library, and to whom shall be referred all matters relating thereto.

And a Committee was appointed, of—

Colonel Wilson Patten.	The Lord Advocate.
Mr. Chancellor of the Exchequer.	Lord Naas.
Lord John Russell.	Mr. Sidney Herbert.
Mr. Napier.	Sir William Heathcote.
Sir James Graham.	Sir Thomas Acland.
Mr. Monckton Milnes.	Mr. Massey.
Mr. Disraeli.	Mr. Baines.
Mr. Walpole.	Mr. Bramston.

Ordered, THAT Five be the Quorum of the Committee.

REPORT.

REPORT of STANDING COMMITTEE on the LIBRARY of THE HOUSE, appointed to assist MR. SPEAKER in the Direction of the LIBRARY, and to whom shall be referred all Matters relating thereto.

IN 1835, the Standing Committee on the Library reported to The House the almost total destruction of the collection of Books belonging to the House of Commons; the small number saved from fire were flung from the windows, and injured materially by water. From that year to 1850 the accommodation allotted for the temporary Library afforded no space for a large number of volumes. In 1845 it was deemed expedient to prepare for the occupation of the new Library, and at that date the House of Commons possessed about 4,000 volumes, including presents from Foreign Governments. Between that period and the present date, Your Committees have annually increased the collection, and more particularly during the last five years have added largely to the Library. The extent to which Purchases have been made can be ascertained by consulting the Catalogue, which has been printed by Order of the Speaker, and is delivered to every Member who makes application for it. The collection now amounts to upwards of 30,000 volumes, the increase having principally taken place in Dictionaries, Books of Reference, General History, English History, Diplomacy, Topography, Law, Voyages and Travels, as well as all works of authority connected with the East Indies and Colonial Possessions.

Your Committee have found it necessary to provide further accommodation for the increasing quantity of Books, and propose fitting up the Committee Room adjoining the present Writing Room with Bookcases, and a Gallery, which will provide space for several thousand volumes, and this addition can be effected without changing any of the purposes for which the room is at present occupied. Your Committee have communicated with the Chief Commissioner of the Board of Works, who has reported that bookcases can be prepared, and the room furnished for occupation, by January 1858.

GENERAL INDEX TO JOURNALS.

The General Index to the Journals, from 1837 to 1852, is printed to the heading "Supply." The Work is finished, and the remaining MS. will be in type, and the volume ready for delivery in the present year; when the preparation of the Work commencing with 1853, and including the subsequent years (the materials for which are in a state of forwardness), will be undertaken by Mr. Vardon, who has been entrusted with the compilation of Three Volumes, already printed, of General Index to the Journals.

Index to Sessional Papers.

Under the superintendence of Your Committee, the General Indexes to Bills, Reports of Committees, and Sessional Papers, from 1801 to 1852, and to Divisions from the year 1836, have been compiled and printed. Your Committee, in continuation of these works, have ordered the General Index to Bills, Reports, and Accounts and Papers, and Divisions, to be compiled and printed to the end of the present Parliament.

17 March 1857.

PROCEEDINGS OF THE COMMITTEE.

Martis, 17° *die Martii*, 1857.

MEMBERS PRESENT:

THE RIGHT HON. THE SPEAKER in the Chair.

Right Hon. S. H. Walpole.	Colonel Patten.
Right Hon. M. T. Baines.	Mr. Bramston.
Sir W. Heathcote.	

The Committee agreed to their Report.

REPORT

FROM THE

STANDING COMMITTEE

ON THE

LIBRARY OF THE HOUSE OF COMMONS;

WITH THE

PROCEEDINGS OF THE COMMITTEE.

Ordered, by The House of Commons, *to be Printed,*
17 *March* 1857.

123.

737

REPORT

FROM THE

SELECT COMMITTEE

ON

PRINTING;

WITH THE

PROCEEDINGS OF THE COMMITTEE.

Ordered, by The House of Commons, *to be Printed,*
17 *March* 1857.

Veneris, 6° die Februarii, 1857.

Ordered, THAT a Select Committee be appointed to assist Mr. Speaker in all Matters which relate to the Printing executed by Order of this House, and for the purpose of Selecting and Arranging for Printing Returns and Papers presented in pursuance of Motions made by Members of this House.

Committee nominated:—

Mr. George Alexander Hamilton.
Mr. John Greene.
Mr. Wilson.
Mr. Beckett.
Mr. Divett.
Mr. Gaskell.
Mr. Vernon Smith.
Mr. Estcourt.
Mr. Bonham-Carter.

Ordered, THAT Three be the Quorum of the Committee.

REPORT.

REPORT of the SELECT COMMITTEE appointed to assist MR. SPEAKER in all Matters which relate to the PRINTING executed by Order of This House, and for the Purpose of Selecting and Arranging for Printing Returns and Papers presented in pursuance of Motions made by Members of This House.

YOUR Committee consider it expedient to call the attention of The House to the following Report of the Printing Committee of 1841, and to recommend the attention of The House to their Resolutions, which have been carried out from that period with partial success:

"Your Committee, in the discharge of the duties imposed upon them, "have had occasion to observe defects in the present mode of obtaining "Returns, to which defects they think it right to call the attention of The "House.

"Your Committee are appointed 'to assist Mr. Speaker in all matters "which relate to the Printing executed by Order of this House, and for the "purpose of Selecting and Arranging for printing Returns and Papers *pre-*"*sented* in pursuance of Motions made by Members of this House, which "may be referred to the said Committee,' but their powers are not called "into operation until after the Returns have been presented; when, if a "Return be imperfect, no omissions can be supplied without a renewed Order "of The House.

"Your Committee are, therefore, of opinion that further means should be "taken, first, to improve the Forms of Motions for Returns; and, secondly, to "ensure compliance with the Orders made thereon.

"Committees have noticed, from time to time, the necessity of preliminary "steps being taken by Members moving for Returns, and have urged them "upon the attention of The House.

"In 1830 the Library Committee suggested, 'that it be recommended to "' all Members intending to move for Returns, in the first place to find out "' from the Librarian whether the same Return, either in form or substance, "' has not already been moved for, and printed; in which case, such order "' may be so shaped by the Members as only to embrace any new matter "' which may be requisite for the information of The House.'

"The Printed Papers Committee of 1835 stated, that, in 1812, an officer "was appointed at the Treasury to attend to all Orders for Returns for the "House of Commons, and much advantage was expected if Members calling "for Papers would previously consult that officer in what form the Motion "proposed could be made to save trouble and expense in preparing. Doubts "were, however, at the same time expressed, how far any officer not belonging "to The House and easy of access by the Members at all times, could advan-"tageously answer the purpose.

" The recommendation of former Committees, that the Librarian should " be consulted by Members previously to moving for Returns, has been in " some measure attended to, and proportionate benefit has been derived " therefrom. Members are often in the habit of seeking information as to " the existence of Returns, and as to the period over which they extend, with " a view to order continuations of the same; and it is the opinion of Your " Committee, that if this practice were generally adopted, much labour and " expense would be spared, whilst the objects of Members, in moving for " Returns, would be more effectually obtained.

" But there is another important matter in which, previously to moving for " Returns, the services of the department of the Library might be made " available, viz. the preparation of the Order, in concert with the Member " who is about to move for such Returns. A suggestion from an officer inti- " mately acquainted with the forms and character of Parliamentary Accounts " would often improve the Order, and increase the facility of obtaining proper " Answers, both in substance and in form.

" If the duty of advising Members in the preparation of Forms for Motions " for Returns devolved upon the Librarian, all the advantage that could be " derived from his practice and experience would be secured.

" Should this plan be adopted, the same agency might advantageously be " employed after the Return is ordered, in suggesting Forms in which " Answers to Orders of The House for Returns should best be made. " Where Accounts are sought for from Government Departments, this " arrangement may not be so necessary; but where Circulars are " addressed to other parties, it is of great importance that the best form " of subsequently arranging the Answers should be pre-concerted, in order " that Blank Forms, with the necessary columns properly headed, may be " circulated, to be filled up in a uniform manner; by this arrangement the " party to whom an Order may be directed will not be left to his own " interpretation of it, but will find every part of it subdivided for him, and " the column pointed out in which he is to insert his answer; and when the " Form is returned, it will be seen at a glance whether all the questions have " been answered according to the letter of the Order; if answered properly, " the Returns will be ready for presenting in the same form as that in which " they were received; if not, the party who has neglected to answer, or who " has answered imperfectly, may be desired to comply with the Order of The " House, before the Returns are laid upon the Table.

" Your Committee, therefore, suggest:—

" 1st. That every Member be recommended, before he gives Notice of " a Motion for a Return, to consult Mr. Vardon, the Librarian of " the House of Commons.

" 2dly. That after the Order for a Return has been made by The " House, the Librarian do prepare, when necessary, a Form, to be " submitted to Mr. Speaker for his approval; and that such Form " shall be forwarded, with the Order, in the usual manner.

" 3dly. That before any Return which has been presented to The House " shall be ordered to be printed, it shall be inspected by Mr. Vardon, " the Librarian of the House, and approved by Mr. Speaker.

" 4thly. That Mr. Speaker be requested to make such arrangements ' as may be necessary for giving effect to these Resolutions."

By

By attention to these recommendations, not only would a considerable saving be effected in Printing, but the Returns would be presented to The House in a much more efficient form, while a great expense would be diminished in the Public Departments in copying bulky Returns, which do not present the results required by those who move for Accounts. The Speaker immediately made the arrangements which were necessary for giving effect to the Resolutions, by placing the Printing under the superintendence of Mr. Vardon, the Librarian of The House, whose duty it became to assist Members who moved for Returns, and on the presentation of documents, to examine how far they complied with the Orders of The House, and submit them daily to the Speaker, and receive his orders as to the form of printing; thus enabling the Speaker to decide on many points which conduced to economy and efficiency. The Committee have the satisfaction to state, that since the control of the Speaker has been exercised, and The House has followed out partially the recommendations of the Committee, already quoted, a gradual diminution of the expense of printing has taken place, for while in 1840 the amount of The House of Commons Printer's bill was 30,244 *l.*, the annual charge has gradually been diminished, till the amount in 1856 was 20,445 *l.*

Abstracting Papers.

The Speaker, at the same time, considered that economy would be effected and great usefulness follow, if many Returns, sometimes parochially made, and sometimes by grand juries and clerks of the peace, and municipal bodies, were abstracted, and the results given to The House, without printing the Returns, which are frequently made in volumes of figures, without additions, to the great inconvenience of those who seek for the information they contain. This plan has been carried out under Mr. Speaker's superintendence to the present time by Mr. Vardon, and the subjoined Table of results will prove the practical economy which has resulted from the pains bestowed on the plan by the Speaker, while, at the same time, the efficiency of the information so condensed will be readily recognised by those most conversant with the Papers:

AN ACCOUNT showing the Total Saving by Printing in Abstract Form to the End of Session 1856.

	£.	s.	d.
To the end of Session 1845 - - - - - - - - - -	7,100	–	–
Ditto - ditto - 1846–47 - - - - - - - -	12,854	8	2½
Ditto - ditto - 1848 - - - - - - - - -	9,245	2	7
Ditto - ditto - 1849–50 - - - - - - - -	5,062	14	11½
Ditto - ditto - 1851–52 - - - - - - - -	8,174	12	5½
Ditto - ditto - 1852–53 - - - - - - - -	3,717	3	2
Ditto - ditto - 1854 - - - - - - - - -	4,001	7	7
Ditto - ditto - 1855 - - - - - - - - -	3,700	12	8½
Ditto - ditto - 1856 - - - - - - - - -	3,528	1	2½
£.	57,384	2	10½

Reports of Commissioners and Papers presented by Command.

In 1848 Your Committee reported the following observations to The House, and they feel called upon again to show that there is a considerable

portion of the expense of printing which is beyond the control of Parliament, and which, if included in the expense of Parliamentary Printing, should be subject to the authority of The House; the necessity for the recommendations then made, remains in full force at the present period;—

"There is a large branch of printing which is generally included under the "term Parliamentary, over which neither House of Parliament can exercise "any control. The Papers are not in answer to Addresses or Motions for "Papers. They consist of *Reports of Commissioners*, with the evidence taken "before them, and the documents which are usually printed and denominated "Appendices; these often form of themselves a large book; and in some "instances several volumes. There are also various *Papers 'presented by "Command,'* in a printed shape, which were formerly laid on the Table of "The House, and printed, or kept in MS., as The House thought fit. The "expense of printing these Papers has for the 10 years, 1836–1845, been as "follows:—

YEAR	PRINTING.			PAPER.		
	£.	s.	d.	£.	s.	d.
"1836	19,096	10	4	11,901	9	8
"1837	7,263	6	1	3,249	6	1
"1838	23,031	2	11	9,105	6	2
"1839	16,688	18	9	6,343	13	8
"1840	16,521	11	2	8,014	7	2
"1841	12,284	4	11	5,881	17	–
"1842	13,615	6	11	5,179	10	7
"1843	27,244	3	3	9,405	4	6
"1844	24,529	5	9	8,573	17	4
"1845	20,795	10	1	6,679	4	–"
1846	18,300	10	–	5,563	14	8
1847	23,295	5	10	7,048	8	1
1847–48	20,526	11	3	6,590	8	2
1849	18,931	6	10	6,086	2	4
1850	20,035	6	10	6,908	3	11
1851	9,002	9	6	3,179	12	1
1852	12,325	12	4	6,148	17	3
1853 } 1854	22,956	2	2	10,588	14	6

"On inquiry, it appears, that upon the appointment of a Commission by "the Crown, the Presses of a Government Printer are placed at its disposal, "and that no control is exercised over the extent to which this power may "be used by any Department of the State, or by either House of Parliament. "The only check applied is to the Printer himself, and his bills are subject "to the same vigilant examination by the Stationery Office which is exercised by that Office over the work of the Printers of the Houses of Lords "and Commons.

"It appears, therefore, to Your Committee to be expedient that an arrangement should be adopted, by which the Departments of the State to whom "the various parties who are allowed to print at the public expense are "responsible, should control this unlimited power of printing which at present prevails, and that their attention should be directed to the quantity of "matter printed, as well as to the number of copies allowed to be struck off.

"It is therefore proposed that in future, direction be given to print, where "practicable, the *Reports* only of Commissioners for delivery to the Houses "of Parliament, leaving it to the discretion of each House to require either "a MS. Copy of the Evidence and Documents or the Supplementary Papers; "and that the Secretary of State for the Home Department, in order to "carry this recommendation into effect, should give directions that the

"Papers

" Papers forming the Evidence or Appendix be deposited in his office, or at " the Board of Trade, or in the Library of either House of Parliament, for " general use, when required.

" Your Committee wish it to be understood by the different Departments " of the Government, that no Papers moved for by Address or by Order of " The House ought to be printed except by its own authority."

In the year 1855, a Select Committee was appointed to consider the most efficient mode of providing for the printing required for the Houses of Parliament, and, in allusion to the want of control in printing, stated, that—

" The amount of printing ordered by Commissions, and the great accumu- " lation of useless matter which is constantly inserted in the Appendices to " Reports, requires the early attention of the Government. There is no " check, no control, no defined or ascertainable limits. With regard to " Commissions, the number of copies vary from 1,000 to 10,000. The cost " is sometimes enormous; in one case (the Hull Election) it was about " 3,000 *l.*; they are crowded constantly in the Evidence or Appendices with " a mass of minute and trifling details, and the greater part of them become " waste paper almost immediately. With regard to Reports of Select Com- " mittees, it frequently happens that they contain Evidence and Tables in " the Appendix, which may be referred to by a few persons, but which are " not required for general circulation. An example of this, by way of illus- " tration, is taken by Mr. M'Culloch from the Wine Duties Report: 'If you " look,' he says, 'into the Appendix of the second volume, you will see a " Table of 234 pages of what is called 'Vattings of Wine in the different " Docks.' There is not, I believe, a sane person in the empire who ever read " one line of it, or ever will. But though perfectly useless, it occupies 234 " pages, and 1,750 copies were printed and circulated at the public expense.' " Other examples might easily be adduced, but they must be so familiar to " the Members of the House, that it will be sufficient to call attention to " them without referring to them in more detail.

" We think that the best way of obviating the abuses which have thus " arisen, would be that recommended by Mr. Vardon and Mr. M'Culloch. " At present the Reports, both of Commissions and Select Committees, with " all the Appendices, are left, in a great measure, both as to form and " number, to the discretion of the Chairman. Mr. Vardon and Mr. M'Culloch " agree in considering that the most effective check to be put upon this, " would be by conferring extended powers on the Printing Committee. " They think that the Reports should be printed in the first instance; that " the Appendices and Evidence should be kept in manuscript until authority " should be given for printing them; that this authority should be vested " in the Printing Committee, acting of course under the directions of The " House, and putting itself in communication with the different persons from " whom those Reports proceed; and that the Committee should regulate " whether any, and which, and how many of these documents should be " printed and circulated at the public expense. Your Committee concur " with this recommendation, except that they think that the Evidence should " be printed as well as the Reports; the greater portion of the cost would " thereby be checked; for that cost is principally occasioned by the bulk of " the Appendices. It is not in the magnitude of Reports, which are often " comparatively short, but in attaching to them an enormous mass of useless " detail. This mass is seldom looked at, or even referred to, and hence they

" become mere waste paper. In many cases a few copies would be all that " might be required to be given to Members, in case they should apply for " them, or to be sold to the public in case they should be wanted. It is also " worthy of consideration, whether the Evidence, if printed, should not be " printed in double columns."

And presented, among others, the following Resolutions:

" That extended powers shall be given to the Printing Committee to " control, more effectually than they can at present, the matter which is " printed in Appendices to Reports. And,

" That the Printing Committee shall settle, by regulations or otherwise, " in communication with the persons from whom such Reports may proceed, " the form and number of the matters to be printed, in proportion to the " demand which, in their opinion, is likely to be made for them."

The right to regulate the printing of Appendices of Select Committees is, perhaps, already within the power of the Speaker, as carrying out the views of The House; but similar matter, collected by Commissioners, printed for their use, and presented to Parliament without the previous sanction of either House, deserves serious consideration, and calls for the superintendence and control of the Secretaries of State, or public department through whom these documents find their way to the Table of the House. The expense of Papers presented by Command, and printed by Commissioners, amounts, on an average, from 1841 to 1854, to 17,417 *l.* per annum,—a large amount, over which Your Committee can exercise no control; and which is created without the sanction or consent of The House.

Sale of Parliamentary Papers.

Your Committee find, from Returns made to The House, and examined by the Committee, that the annual net amount received by the Sale of Parliamentary Papers, from its commencement to the present time has averaged the sum of 4,000 *l.*, by sale and waste. The reduced stock of these Papers is now placed in Warehouses attached to the Stationery Office, in the custody of Mr. Hansard, but under the control of the Speaker. The arrangement for the sale or distribution of these Papers takes place under the direction of the Speaker; and Your Committee are of opinion, that the receipts, which have hitherto been allowed to Mr. Hansard in the settlement of his printing account, should for the future be paid into the Bank of England, to the account of the Commissioners for Regulating the Offices of the House of Commons, through the officer appointed to receive the same, after the examination and approval of the account by Mr. Speaker.

Your Committee, in conclusion, beg to call the attention of The House to the following Resolutions, which, after long experience, and the consideration of various Committees, have been considered worthy of the attention of those moving for Returns, or proposing the printing of documents laid on the table of the House:

That every Member be recommended, before he gives Notice of a Motion for a Return, to consult Mr. Vardon, the Librarian of the House of Commons.

That after the Order for a Return has been made by The House, the Librarian do prepare, when necessary, a Form, to be submitted to Mr. Speaker for his approval; and that such Form shall be forwarded, with the Order, in the usual manner.

That

That before any Return which has been presented to The House shall be ordered to be printed, it shall be inspected by Mr. Vardon, the Librarian, and approved by Mr. Speaker.

That Mr. Speaker be requested to make such arrangements as may be necessary for giving effect to these Resolutions.

That no Papers moved for by Address, or by Order of The House, ought to be printed except by its own authority.

That extended powers shall be given to the Printing Committee to control, more effectually than they can at present, the matter which is printed in Appendices to Reports.

That the Printing Committee shall settle, by regulations or otherwise, in communication with the persons from whom Reports may proceed, the form and number of the matters to be printed, in proportion to the demand which, in their opinion, is likely to be made for them.

That it be recommended to the Treasury to lay on the Table of the House, with the Annual Estimates, a distinct Account of the Amount of Printing Expenses (including Paper), executed under the authority of each Secretary of State or Public Department, and by either House of Parliament.

17 March 1857.

PROCEEDINGS OF THE COMMITTEE.

Martis, 17° *die Martii*, 1857.

MEMBERS PRESENT:

THE RIGHT HON. THE SPEAKER in the Chair.

Mr. G. A. Hamilton.	Mr. Divett.
Mr. Estcourt.	Mr. Bonham-Carter.

The Committee agreed to their Report.

REPORT

FROM THE

SELECT COMMITTEE

ON

PRINTING;

WITH THE

PROCEEDINGS OF THE COMMITTEE.

Ordered, by The House of Commons, *to be Printed*,
17 *March* 1857.

122.

Under 2 *oz.*

FIRST REPORT

FROM THE

COMMITTEE OF SELECTION

RELATIVE TO THE

GROUPING OF PRIVATE BILLS.

CLASSIFICATION OF PRIVATE BILLS.

The Committee of Selection have formed into Groups the following Private Bills; and have agreed to Report the same to the House:

GROUP A.

Read 2°.

Feb. 10. Dumbarton Water.

„ 10. Glasgow City and Suburban Gas.

„ 10. Glasgow Gas.

GROUP B.

Feb. 10. Sunderland Gas.

„ 11. Burslem Gas.

„ 11. Stockton New Gas and Stockton Gas Consumers Company.

„ 16. South Shields Gas.

GROUP C.

Feb. 10. Tweed River Fisheries.

„ 11. Tweed Fisheries.

GROUP D.

Feb. 10. Brighton, Hove and Preston Constant Service Water.

„ 10. Kidsgrove Market.

„ 16. Kidsgrove Market, Town Hall, &c.

GROUP E.

Read 2ª.

Feb. 11. Birkenhead Docks (Construction).

„ 11. Birkenhead Docks (Management).

„ 11. Mersey Conservancy and Docks.

„ 16. Liverpool and Birkenhead Docks.

Liverpool Docks Committee and Birkenhead Docks.

GROUP F.

Feb. 10. Watchet Harbour.

„ 10. Watchet Harbour Trust.

„ 13. Pulteney Town Harbour.

GROUP G.

Feb. 10. Portsmouth Water.

„ 10. Wearmouth Bridge, Ferries and Approaches.

„ 16. Landport and Southsea Improvement.

„ 16. Milford Improvement.

GROUP H.

Feb. 11. Norfolk Estuary Acts Amendment.

„ 13. Tyne Improvement.

„ 16. Mordon Carrs Drainage.

GROUP I.

Feb. 11. North Level Drainage.

„ 13. Nene Valley Drainage.

COMMITTEE OF SELECTION.

FIRST

REPORT

FROM THE

COMMITTEE OF SELECTION.

Ordered, by The House of Commons, *to be Printed,*
24 *February* 1857.

SECOND REPORT

FROM THE

COMMITTEE OF SELECTION

RELATIVE TO THE

GROUPING OF PRIVATE BILLS.

CLASSIFICATION OF PRIVATE BILLS.

The Committee of Selection have made the following alteration in the Groups already formed, and have Grouped other Bills, which they agree to Report to the House:

GROUP F.

They have withdrawn the—

Pulteney Town Harbour Bill.

They have formed the following new Groups—

GROUP K.

Read 2°.

Feb. 10. New River Company.

„ 17. Bury Gas.

„ 17. Chester Water.

„ 18. Chatham District Water.

GROUP L.

Feb. 13. Pulteney Town Harbour.

„ 16. Briton Ferry Docks.

GROUP M.

Feb. 10. Stratford-upon-Avon Gas.

„ 16. Cardigan Markets and Improvements.

„ 16. Shrewsbury Gas.

„ 17. Lowestoft Water, Gas and Market.

GROUP N.

Feb. 16. Atlantic Telegraph Company.

„ 16. Australian Agricultural Company.

„ 16. Sunken Vessels Recovery.

„ 18. Medical, Legal and General Mutual, and New Equitable Life Assurance Companies Amalgamation.

COMMITTEE OF SELECTION.

SECOND REPORT FROM THE COMMITTEE OF SELECTION.

Ordered, by The House of Commons, *to be Printed,*
27 *February* 1857.

755

THIRD REPORT

FROM THE

COMMITTEE OF SELECTION

RELATIVE TO THE

GROUPING OF PRIVATE BILLS.

CLASSIFICATION OF PRIVATE BILLS.

The Committee of Selection have made the following alterations in the Groups already formed:

GROUP F.

They have added the—

West Somerset Railway;

West Somerset Mineral Railway;

which have been referred to them by the Order of the House of the 2d March.

GROUP M.

They have withdrawn the—

Stratford-upon-Avon Gas;

Lowestoft Water, Gas, and Market;

And have added—

New Brunswick and Canada Railway and Land Company.

South Staffordshire Water.

COMMITTEE OF SELECTION.

THIRD REPORT FROM THE COMMITTEE OF SELECTION.

Ordered, by The House of Commons, *to be Printed,*
3 *March* 1857.

FOURTH REPORT

FROM THE

COMMTTIEE OF SELECTION

RELATIVE TO THE

GROUPING OF PRIVATE BILLS.

CLASSIFICATION OF PRIVATE BILLS.

The Committee of Selection have made the following alterations in the Groups of Private Bills already formed:

GROUP A.

They have withdrawn the—

Dumbarton Water Bill.

GROUP B.

They have withdrawn the—

South Shields Gas Bill.

Sunderland Gas Bill.

GROUP K.

They have withdrawn the—

Chester Water Bill.

New River Company Bill.

COMMITTEE OF SELECTION.

FOURTH REPORT FROM THE COMMITTEE OF SELECTION.

Ordered, by The House of Commons, *to be Printed,*
10 *March* 1857.

759

SPECIAL REPORT

FROM THE

COMMITTEE OF SELECTION.

The Committee of Selection have agreed to the following Special Report:

That, under existing circumstances, they have postponed, for the present, the meeting of all Committees on Opposed Private Bills already appointed.

SPECIAL

REPORT

FROM THE

COMMITTEE OF SELECTION.

Ordered, by The House of Commons, *to be Printed,*
6 *March* 1857.

761

REPORT

FROM THE

SELECT COMMITTEE

ON

PUBLIC MONIES;

WITH THE

PROCEEDINGS OF THE COMMITTEE.

Ordered, by The House of Commons, *to be Printed,*
13 *March* 1857.

Mercurii, 11° *die Februarii*, 1857.

Ordered, THAT a Select Committee be appointed "to inquire into the Receipt, Issue, and Audit of Public Monies in the Exchequer, the Pay Office, and the Audit Department."

Lunæ, 16° *die Februarii*, 1857.

Select Committee nominated:—

Sir Francis Baring.	Sir James Graham.
Mr. Henley.	Sir Henry Willoughby.
Mr. William Williams.	Mr. Peacocke.
Mr. Wilson.	Mr. James MacGregor.
Mr. Bowyer.	Lord Stanley.
Mr. Ellice.	Mr. Cardwell.
Mr. Hankey.	Mr. George Alexander Hamilton.
The Chancellor of the Exchequer.	

Ordered, THAT the Committee have power to send for Persons, Papers, and Records.

Ordered, THAT Five be the Quorum of the Committee.

Veneris, 13° *die Martii*, 1857.

Ordered, THAT the Committee have power to Report their Observations to The House.

REPORT.

THE SELECT COMMITTEE appointed to Inquire into the RECEIPT, ISSUE, and AUDIT of PUBLIC MONIES in the EXCHEQUER, the PAY OFFICE, and the AUDIT DEPARTMENT, and who were empowered to Report their Observations to the House ;——HAVE considered the Matters to them referred, and have agreed to the following REPORT :—

THAT Your Committee had met and settled the course of their proceedings, but are of opinion that, in present circumstances, it would not be possible to give proper time and consideration to the important matters and extensive subjects referred to them; the inquiry, therefore, remains in an incomplete state.

13 *March* 1857.

PROCEEDINGS OF THE COMMITTEE.

Jovis, 26° die Februarii, 1857.

MEMBERS PRESENT:

Sir Francis Baring.	Mr. Williams.
Mr. Ellice.	The Chancellor of the Exchequer.
Sir James Graham.	Mr. James MacGregor.
Mr. Hankey.	Mr. Henley.

Sir FRANCIS BARING was called to the Chair.

The Committee deliberated on their future proceedings.

Veneris, 13° die Martii, 1857.

MEMBERS PRESENT:

Sir. F. Baring.	Lord Stanley.
Mr. James MacGregor.	The Chancellor of the Exchequer.
Sir H. Willoughby.	Mr. Hankey.
Mr. Henley.	Mr. Ellice.
Mr. Bowyer.	

The Committee agreed to the following Report:—

That your Committee had met and settled the course of their proceedings, but are of opinion that, in present circumstances, it would not be possible to give proper time and consideration to the important matters and extensive subjects referred to them; the inquiry, therefore, remains in an incomplete state.

REPORT

FROM THE

SELECT COMMITTEE

ON

PUBLIC MONIES;

WITH THE

PROCEEDINGS OF THE COMMITTEE.

Ordered, by The House of Commons, *to be Printed,*
13 *March* 1857.

107.

Under 1 *oz.*

REPORT.

GENERAL COMMITTEE ON RAILWAY AND CANAL BILLS.

LORD HOTHAM reported from the General Committee on Railway and Canal Bills,—

THAT they had formed the List of Railway and Canal Bills into the Groups following.

Groups.

ENGLAND.

No. 1.

Read 2°.

Metropolitan.
South London.
West London and Crystal Palace.
Feb. 16. Westminster Terminus (Clapham to Norwood) Abandonment.
West Metropolitan and Thames Embankment.
Richmond and Kew Extension.

No. 2.

Feb. 24. East Kent (Strood to St. Mary's Cray).
„ 16. Herne Bay and Faversham.
„ 25. Mid-Kent (Croydon Extension).
„ 26. Mid-Kent and South Kent.
„ 16. South Eastern (Greenwich Junction to Dartford).
„ 24. Thames and Medway.

No. 3.

Feb. 11. Reading Railways Junction.
„ 16. South Eastern (Reading Junction).
„ 11. Great Western and Brentford.
„ 23. Wimbledon and Dorking.

No. 4.

Read 2°.

Aldershot.

Feb. 13. Bristol and South Wales and Southampton Union.

„ 11. Dorset Central.

„ 10. London and South Western (Acts Amendment).

Southampton, Bristol and South Wales.

Salisbury and Yeovil.

No. 5.

Stratford-upon-Avon.

Mid Sussex.

Feb. 11. Portsmouth.

Ringwood, Christchurch and Bournemouth.

„ 10. Lewes and Uckfield.

Wimbledon and Dorking.

No. 6.

Eastern Counties (Extensions).

Feb. 13. Tilbury, Maldon and Colchester.

„ 25. East Suffolk.

Norfolk.

„ 16. Norwich and Spalding.

No. 7.

Conway Valley.

Feb. 23. Newtown and Machynlleth.

St. George's Harbour and Railway Act (Amendment).

„ 20. Cwm Amman.

Birkenhead, Lancashire and Cheshire Junction (Steam Boats, &c).

No. 8.

Ely Tidal Harbour and Railway.

Feb. 11. Ely Valley.

„ 24. Newport, Abergavenny and Hereford (Extensions).

Rhymney.

„ 10. Taff Vale.

No. 9.

Read 2°.

Feb. 23. Bourn and Essendine.
„ 24. Stamford and Essendine.
„ 16. Manchester, Sheffield and Lincolnshire (Railway to Romily, &c.)
Manchester, Sheffield and Lincolnshire (Railway to Buxton, &c.)
Stockport, Disley and Whaley Bridge (Extension).

No. 10.

Feb. 16. Cannock Mineral, No. 1.
„ 23. Cannock Mineral, No. 2.
„ 11. North Staffordshire (Bridgewater Canal).
„ 23. Shropshire Union Canal Company, London and North Western Railway Company, and Shropshire Union Railway Company.
„ 16. St. Helen's.

No. 11.

Feb. 10. Blackburn (Extensions).
„ 23. Doncaster and Wakefield.
South Yorkshire and North Lincolnshire Junction.
„ 10. Oldham, Ashton-under-Lyne and Guide Bridge.

No. 12.

Feb. 10. Lancaster, Carlisle and Ingleton.
„ 11. North Western.
„ 23. Coniston.
„ 10. Whitehaven and Furness Junction (Increase of Capital).
British and Irish Grand Junction.

No. 13.

Feb. 11. Blyth and Tyne.
„ 24. North Eastern (Lanchester Valley).
„ 16. North Eastern and Hartlepool Dock and Railway.
„ 16. West Hartlepool Harbour and Railway, and North Eastern Railway (Amalgamation).

SCOTLAND.

No. 14.

Read 2°.

~~Aberdeen Junction.~~
~~Aberdeen, Peterhead and Fraserburgh.~~

Feb. 23. Banff, Macduff and Turriff.
„ 18. Banff, Portsoy and Strathisla.
Deeside (Extension).
~~Formartine and Buchan.~~
Keith and Dufftown.
Carlisle and Hawick.
Bathgate, Airdrie and Coatbridge.
Monkland.

No. 15.

Feb. 11. Fife and Kinross.
„ 11. Kinross-shire.
„ 10. Leslie.
„ 10. ~~Peebles.~~
„ 16. West of Fife Mineral (Extension).
Caledonian (Running Powers, &c.)
„ 11. Caledonian (Lines to Granton).
„ 16. Edinburgh, Perth and Dundee.

IRELAND.

No. 16.

Feb. 24. Great Northern and Western of Ireland.
Great Southern and Western (Extension from Tullamore to Athlone).
„ 16. Midland Great Western of Ireland (Extension to Sligo).
„ 16. Midland Great Western of Ireland (Extension to Tullamore).

No. 17.

Dundalk and Enniskillen.
Newry and Enniskillen.
Feb. 10. Newry, Warrenpoint and Enniskillen.
„ 11. Portadown and Dungannon.

No. 18.

Bagenalstown and Wexford.
Cork and Youghal.
Feb. 12. Cork and Bandon.
„ 11. Dublin and Wicklow.
Tralee and Killarney.

REPORT.

GENERAL COMMITTEE

ON

RAILWAY AND CANAL BILLS.

GROUPS.

Ordered, by The House of Commons, *to be Printed*,
3 *March* 1857.

773

REPORT

FROM THE

SELECT COMMITTEE

ON THE

STATUTE LAW COMMISSION;

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

MINUTES OF EVIDENCE,

APPENDIX AND INDEX.

Ordered, by The House of Commons, *to be Printed,*
10 *March* 1857.

Martis, 10° *die Februarii*, 1857.

Ordered, That a Select Committee be appointed to consider so much of the Second Report of the Statute Law Commissioners as relates to the Proposition therein made for the adoption of Means to improve the Manner and Language of Current Legislation, and to report their Opinion thereupon to The House.

Veneris, 13° *die Februarii*, 1857.

Committee nominated:—

Mr. Baines.	Sir William Heathcote.
Sir James Graham.	Sir FitzRoy Kelly.
Mr. Walpole.	Lord Stanley.
Mr. Attorney-General.	Mr. Locke King.
Sir Frederic Thesiger.	Mr. Napier.
Mr. Dunlop.	Mr. Evelyn Denison.
Mr. Henley.	Mr. Ewart.
Mr. Hughes.	

Ordered, That the Committee have power to send for Persons, Papers, and Records.

Ordered, That Five be the Quorum of the Committee.

Martis, 10° *die Martii*, 1857.

Ordered, That the Committee have power to Report their Observations and the Minutes of Evidence taken before them to The House.

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REPORT.

THE SELECT COMMITTEE appointed to consider so much of the SECOND REPORT of the STATUTE LAW COMMISSIONERS as relates to the Proposition therein, made for the Adoption of Means to Improve the MANNER and LANGUAGE of CURRENT LEGISLATION, and to Report their Opinion thereupon to The House; and who were Empowered to Report their Observations, together with the Minutes of Evidence taken before them to The House:

HAVE made progress in the consideration of the matter referred to them, and have examined several Witnesses; but at the same time they consider the inquiry so far from complete, that, having regard to the approaching Prorogation of Parliament, they do not feel themselves in a position to offer any definite opinion to The House on the question referred to them, and they have therefore agreed simply to report the Evidence taken up to the present time.

10 *March* 1857.

PROCEEDINGS OF THE COMMITTEE.

Jovis, 19° *die Februarii*, 1857.

MEMBERS PRESENT.

Mr. Locke King.	Mr. Baines.
Mr. Ewart.	Mr. Napier.
Mr. Henley.	Lord Stanley.
Sir F. Thesiger.	Mr. Hughes.

Mr. *Baines* was called to the Chair.

The Committee deliberated on the course of proceeding.

[Adjourned till Friday, 27th February, at Twelve o'clock.

Veneris, 27° *die Februarii*, 1857.

MEMBERS PRESENT:

Mr. Baines in the Chair.

Mr. E. Denison.	Sir F. Kelly.
Mr. Dunlop.	Mr. Locke King.
Mr. Ewart.	Lord Stanley.
Sir W. Heathcote.	Mr. Walpole.
Mr. Hughes.	

Walter Coulson, Esq. and *George K. Richards*, Esq., examined.

[Adjourned till Tuesday next, at Twelve o'clock.

Martis, 3° *die Martii*, 1857.

MEMBERS PRESENT:

Mr. Baines in the Chair.

Mr. Ewart.	Sir W. Heathcote.
Mr. Henley.	Mr. Walpole.
Mr. Locke King.	Sir F. Kelly.
Mr. Dunlop.	Mr. Hughes.
Mr. Denison.	Sir J. Graham.

H. Bellenden Ker, Esq., and *T. Erskine May*, Esq., Examined.

[Adjourned till Friday next, at Twelve o'clock.

Veneris, 6° *die Martii*, 1857.

MEMBERS PRESENT:

SIR W. HEATHCOTE in the Chair.

Mr. Ewart.	Sir F. Kelly.
Mr. Henley.	Mr. Walpole.
Mr. Locke King.	Mr. Attorney-General.
Mr. Dunlop.	Lord Stanley.
Mr. Hughes.	

George Coode, Esq., examined.

[Adjourned till Tuesday next, at Twelve o'clock.

Martis, 10° *die Martii*, 1857.

MEMBERS PRESENT:

Mr. BAINES in the Chair.

Mr. Ewart.	Mr. Hughes.
Mr. Henley.	Mr. Denison.
Mr. Locke King.	Lord Stanley.
Sir W. Heathcote.	Mr. Walpole.
Sir F. Kelly.	Sir J. Graham.

George Coode, Esq., and *G. K. Rickards*, Esq., further examined.

Room cleared.

Committee deliberated, and agreed to report, that the Committee—

"Have made progress in the consideration of the matter referred to them, and have examined several Witnesses; but at the same time they consider the inquiry so far from complete, that, having regard to the approaching Prorogation of Parliament, they do not feel themselves in a position to offer any definite opinion to The House on the question referred to them, and they have therefore agreed simply to report the Evidence taken up to the present time."

Ordered, To Report.

LIST OF WITNESSES.

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MINUTES OF EVIDENCE.

Veneris, 27° die Februarii, 1857.

MEMBERS PRESENT.

Mr. Baines.	Mr. Hughes.
Mr. Evelyn Denison.	Sir FitzRoy Kelly.
Mr. Dunlop.	Mr. Locke King.
Mr. William Ewart.	Lord Stanley.
Sir William Heathcote.	Mr. Walpole.

THE RIGHT HON. MATTHEW TALBOT BAINES, IN THE CHAIR.

Walter Coulson, Esq., Q. C., called in; and Examined.

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1. *Chairman.*] I BELIEVE you are a Barrister-at-Law, and hold the rank of one of Her Majesty's Counsel?—Yes.

2. What situation do you fill in connexion with the Home Office?—I was appointed by an Order in Council, and my duties under the terms of the Order in Council perhaps will best explain my position. The terms are these: "To be employed, under the directions of the Secretary of State for the Home Department, in preparing Parliamentary Bills originating with any department of the Government, and in revising and reporting on any Bills referred to him by the Secretary of State for that purpose." I should explain with reference to the expression, "Bills originating with any department of the Government," that a question had arisen in the case of my predecessor, Mr. Bethune, whether, as he had been appointed merely as Parliamentary Assistant to the Home Office, he could be called upon properly to revise or advise on the Bills of any other department. In point of fact, he latterly, I understand, performed more general duties. But the question arose occasionally with him, whether it was a matter of supererogation or a matter of duty.

3. When were you appointed to your present office?—Early in the year 1848. I find that the date of the Order in Council is the 1st of March 1848; my impression is, that I began my duties rather before that; some time in that year.

4. Since the time of your appointment, what has been the description of Bills prepared by you?—The Bills which have been prepared by me are, with little exception, all the Bills which originate in the department of the Home Secretary: the greater part of the Bills, I should say nearly all the Bills of any importance which originate in the Colonial Department; those (which however are not very numerous), that originate in the Foreign Department, and a great number of the Treasury Bills. Whenever anything out of what may be called the common form business of the Treasury is to take the shape of a Bill, it is prepared commonly by me. I should except the Revenue Bills, which are not often brought to me. But in cases where changes are made in the law, not merely the imposition of some additional tax, and so forth, the Bill frequently comes to me for revision on particular points.

5. Mr. *Walpole.*] Who prepares the other Bills of the Treasury?—The Bills which are not prepared by me for the Treasury, are merely what may be called

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Common Form Bills, which are prepared, not, I believe, by the solicitor of the Treasury, or any professional person, but at present I should say by Mr. Anderson, the financial clerk of the Treasury. They are merely stereotyped. The Bills which are introduced by the First Lord of the Treasury as Prime Minister which are not properly Treasury Bills, are commonly prepared by me; and occasionally Bills of other departments, especially those other departments where there is no standing legal staff, for instance, the Board of Control. The last renewal, as they call it, of the East India Company's Charter was prepared by me (as the previous one had been) before I held any official appointment.

6. *Chairman.*] With regard to Government Bills not prepared by you, are the Committee to understand that they are all seen by you; that they all come to you in some stage or other?—No; frequently they do, but it is by no means a universal rule. As I am actually employed in the preparing of Bills, not merely in the work of revision, there are times when it becomes utterly impossible for me to give attention to the Bill originating with all the departments of the Government.

7. Some of the departments have counsel of their own, as we understand; the Board of Trade, for instance, and the Inland Revenue, I believe?—The large Revenue Departments have counsel of their own. Some of the other departments, although not having in terms counsel, have, as the Committee are aware, official staffs composed to a great extent of professional men. I need not mention the Poor Law Board and the Board of Health. The Board of Health Bills, I may observe, very frequently come to me.

8. *Sir FitzRoy Kelly.*] Do these counsel of their own prepare all the Bills for their departments?—I cannot speak with confidence upon that point, because the matters which are transacted in the departments are out of my knowledge. My information as to that is merely accidental. I imagine that in some cases they do, but that there are many cases in which they resort to professional aid when they are pressed.

9. *Chairman.*] In the cases where the Bills are prepared by the counsel of the departments, would those Bills come to you at all?—It frequently happens that they do; if it is thought advisable to take what may be called a second opinion on any clause, they frequently come to me, but I should say, not in ordinary cases for revision; not to make me responsible for the whole Bill; merely for those points to which my attention is directed.

10. What is the nature of the reports which you make upon Bills submitted to you for the purpose of being reported on?—The nature of the report depends upon the instructions which I receive. The reports are intended for the information of the Home Secretary in the absence of special instructions; they are such reports as will raise for his consideration the questions that occur to me on the policy as well as the legal details of Bills that are introduced, so as to bring the whole subject matter of the Bill most completely under his consideration. I beg the pardon of the Committee for having omitted, in the enumeration of the classes of Bills which I prepare, two classes which have occasionally been of considerable magnitude. At the time when Bills concerning Ireland were considered Cabinet measures of importance, those Bills were prepared by me in some instances, in others revised by me. I have seen, I think, less of them of late years. I have also sometimes had those Bills for the amendment of the law which have been introduced by the Attorney and Solicitor General, and sometimes not.

11. Mr. *Locke King.*] Are all the Home Office Bills drawn by you?—With little exception. Sometimes there, as in other places, there is a pressure; and when time has been of importance, and my attention has been wholly taken up with other matters, Home Office Bills have been introduced which have not been drawn by me. Drafts have in many instances been prepared for the Home Office by counsel not regularly employed, but that is an exception to the rule.

12. Under ordinary circumstances, they are drawn by you?—Yes. I need not say that a great many Bills are prepared by me which are not introduced into Parliament. A Bill is prepared frequently for consideration, and that forms an important part of my business.

13. *Chairman.*] Have you mentioned the whole of the duties which are actually performed by you in connexion with your position as counsel to the Home Office?—I have mentioned the whole of the duties which it may be considered, I think, incumbent on me to perform. But when my time is not otherwise

wise employed, and my services can be made available in matters connected with Parliamentary business, the Secretaries of State may call for my services in any way in which I can be of use. There is one (not very heavy) duty which I found in my office, and I continue to perform it, that is, to frame the annual Report on expiring laws, which is a work for a Committee of this House.

14. Mr. *William Ewart.*] Is not that settled by a Committee of the House?—It is adopted by a Committee of the House.

15. Who is the person that redraws the expiring laws?—The Continuance Bills are drawn by me. They are numerous, as the Committee are aware, but they do not form an item of magnitude in labour.

16. Suppose a private Member introduce a Bill affecting the public interests, has it ever happened that any department of the Government has referred that Bill to your consideration?—That is usually the case. I need not say that the Bills which are referred to me generally by the Home Secretary are not those Bills which are prepared by other departments. They would come to me not in the shape of a formal reference, but for revision. The person who prepares the Bill in the department would bring it to me and ask my opinion upon it. The Bills which are formally referred to me by the Secretary of State are almost wholly Bills introduced by private Members.

17. Mr. *Walpole.*] In point of fact, the Secretary of State usually refers to you Bills introduced by private Members, that you may give your opinion upon them?—Those Bills introduced by private Members on which it may be expected that the Secretary of State will express an opinion in the House. A Bill, for instance, introduced by a private Member affecting what we call a special department of the Government not under the control of the Secretary of State would frequently not be referred to me.

18. I believe you advise him generally as to the effect of the Bill, and also as to the legal provisions of the Bill, if the Secretary of State requests you?—Certainly.

19. That is a very important part of your duty?—I conceive that it is.

20. Mr. *Hughes.*] When a Bill originates with the Home Office, what materials are laid before you for drawing the Bill; what instructions have you?—They vary exceedingly as to the form and detail of the instructions.

21. Can you give the Committee any general idea of the character of the instructions which you get from any single department with which the Bill originates; I am not now talking of the Bill of a private Member sent to you to revise, but of a Bill originating with a public department?—The instructions are nearly of the same description as would be sent to a counsel for the preparation of a legal instrument. They are not generally in much detail. It is, I consider, an important part of my duties to ascertain what provisions in detail are necessary to give effect to the intentions of the introducers of the Bill.

22. Are you aware by whom these instructions, whatever their character may be, are prepared?—Sometimes I am; sometimes not. Very frequently the instructions come to me orally from the Secretary of State.

23. Are these instructions in writing; and if in writing, are they subscribed by the head of the public department?—Most frequently not.

24. What is your authority; what have you to authenticate the idea which you are to carry out by the draft which is subsequently submitted to the public department?—The instructions come to me from the person to whom the Bill commonly goes back.

25. I am speaking now of written instructions, not oral?—I merely give credit to the person who brings me the instructions. It very seldom happens that they are signed, dated, or authenticated in any way. But when the secretary, for instance, of any public department hands me instructions, I give credit to the bearer of the instructions; they are not in any other way authenticated.

26. Then am I to understand that a large proportion of the instructions, whether oral or written, from any public department are of a casual character; that is to say, not strictly official?—I consider every direction that is given to me by a person authorised to give the direction official.

27. Supposing after the interval of a month you, having acted on verbal instructions in the preparation of a draft, are told that that is not carrying out the object of the party who intended you to act upon them, what means have you of showing that you have acted upon the instructions which you have received?

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received?—The person who introduces the Bill into Parliament is responsible, he reads the draft, and if on reading it he finds that my writing does not give effect to his intentions, he tells me, and I alter it accordingly. I do not, of course, raise any controversy with him; I say, "I have no doubt I have misunderstood you."

28. Is not the consequence of that some considerable amount of delay and trouble and expense?—I think it is incident to the preparation of all instruments of that kind. It is very much the way in which (speaking as an old conveyancer) one received instructions from attorneys. They know the position of their client; they inform you as to the intentions sometimes in great detail; sometimes generally, and you endeavour to give effect to them in your draft.

29. Is not that invariably done in writing?—No; there are written instructions, but the written instructions are very frequently merely formal, which would not lead you to the detailed contents of the instrument founded on them.

30. As a conveyancer or draftsman, would you not prefer having before you written instructions, not in great detail, but substantial instructions as to the conveyance or instrument which you were going to prepare?—I should like it; it would be desirable; I mean so far as my personal convenience goes.

31. Do you not think also that your personal convenience would be in conformity with the efficiency of your department? What you mean by personal convenience is not your own individual convenience, but the efficiency of the department?—Then you must have two persons competent to the statement of the details of the measure. I ought to be to some extent competent from my experience to the task of filling up the details. If, instead of trusting to me to do so, I am to receive the instructions in detail, the task of giving me those instructions must be performed by some person who gives as much consideration to the details as I give in the course of framing them.

32. Do you not think that the head of a department which suggests a measure such as that to be adopted or carried out by the Home Secretary, would know sufficiently the details to give you the instructions?—Very frequently the instructions are given to me in those cases in considerable detail. But I do not think that, without consuming a great deal of time which he might employ upon more urgent duties, the Home Secretary could in all cases do it.

33. Even with the Bills originating in his own department?—Even there.

34. I do not mean mere technical details. I mean substantial outlines?—In many cases I receive, either orally or in writing, what may be called the substantial outlines certainly; but frequently orally.

35. *Chairman.*] You are acquainted with the Second Report of the Statute Law Commission?—I am.

36. Indeed, I believe you are yourself one of the Statute Law Commissioners, and signed that report?—I did.

37. You are aware also of the subject of the reference to this Committee?—I am.

38. Is this paper, which has been circulated among Honourable Members, a Minute which was prepared by yourself and Mr. Bellenden Ker by direction of the Lord Chancellor, with reference to this Second Report of the Statute Law Commission?—Yes.

39. That was drawn for the use of the Statute Law Commission, I believe?—No, it was not drawn for the use of the Statute Law Commission. I do not know how it got among their papers. I understood that it was to be a confidential paper for the use of the Lord Chancellor.

40. You have seen it printed as one of the papers of the Statute Law Commission?—I have.

41. And I believe I had your permission to have this paper printed for the use of this Committee?—Certainly.

42. You have considered the subject of a proposed supervision of Bills by an officer of the House or a Board, as suggested by the Statute Law Commissioners?—It has been my duty to do so.

43. To what extent do you conceive that that would be beneficial?—I think as a supervision of all Bills, it would be beneficial in the manner indicated in the minute which I believe is before the Committee. That is, "to secure attention to those general rules applicable to all legislation, which in the absence of systematic revision are so often neglected by the proposers of Bills, and by the House at large; by the proposers, because they are mainly occupied with

with a particular case or remedy; by the House at large (if no other causes exist), from the impossibility on the part of the Members of weight and experience of giving systematic attention to technical details, where their attention is absorbed in the consideration of principles and of policy." That may be considered rather a task of supervision than of revision. Among other objects which I might indicate, for instance, would be this:—you might prevent enactments of general application being inserted in those special Bills, which are mainly intended to meet one case, and may not in fact properly assume the character of Public General Laws. Another object would be to prevent in all temporary Bills the introduction of enactments which are intended to be permanent, in other words, to prevent temporary and permanent provisions being included in the same Bill. In the same way, if any rules as to phraseology and arrangement are adopted and made applicable to all measures which pass through Parliament, you might ensure the observance of the rules necessary to give effect to the rules, whatever they may be.

44. Have you formed an opinion as to what classes of Bills the existence of such an officer would be particularly useful?—I should, perhaps, begin by enumerating those in which I do not think, beyond the task of general supervision, the existence of an officer would be very useful. For general supervision, as I have observed, I think the existence of an officer would be useful *quoad* all Bills. But with respect to securing legal efficiency, we must recollect, there is a great difference in the character of the Bills introduced into Parliament. Where a Bill is introduced by a department, or in relation to the business of a department having a staff of legal or *quasi* legal officers, for the execution of duties defined or indicated by special statutes, I conceive that the revision on the part of the officer of the House with reference to the legal efficiency of the Bill would be more a matter of form than of substance. Assuming that the officer of the House has (which may or may not be the case) general legal knowledge very superior to that of the officers of the department, still from the specialty of the law applicable to the particular department, and from the special facts with which they have to deal, it is the merest chance that the officer of the House would be so conversant with the subject-matter of the Bill as the officer who framed it. An officer of the House must have his attention called to a great variety of subjects. Could it be expected, for instance, that, as to the legal effect of a measure for the amendment of the Poor Laws, he could be so efficient as the legal advisers of the Poor Law Board, who have their attention daily directed to that branch of law? Besides: with respect to the efficiency of a Bill, it is not only necessary to know the previous law relating to the same subject, but it is necessary to be conversant with the facts to which the new law is to be applied, and the course of business and transactions which are to be regulated by it. For these reasons I conceive that a great number of the Bills introduced into Parliament, those which I have indicated as introduced by departments, could not be very usefully revised in detail with reference to their legal efficiency. Although every revision is of some use, and every perusal of an instrument by a person at all competent may indicate some defect which has escaped the previous readers or the composers, still in the cases I have mentioned, that is a mere chance, it may or may not be so. There is also another class of Bills, which in some Sessions has been a very large class, and which probably will again become so; that is, Bills introduced for the reform of special branches of the law, which may not be under any special department. Those Bills have been frequently introduced in pursuance of the reports of Commissions, consisting of the most competent men that could be selected for the inquiry, who have investigated the branches of law intended to be reformed. Take the Bills proposed to give effect to the recommendations of the Common Law Commission and the Real Property Commission. Those Bills were carefully considered, much more carefully than it is to be expected that they could during the time of a Session, be considered by an officer appointed for the purpose of revision. It is quite true, that even in those Bills, since they have become laws (and perhaps from the difficulty and importance of the subject matter, more conspicuously than in other cases), there have been defects discovered, and great doubts and difficulties have arisen upon them; but that the revision of any officer appointed by the House would have led to the avoidance of those defects, or of the doubts and difficulties which have arisen, is very doubtful. I do not believe that it would.

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45. Are there other classes of Bills in which you conceive that the effect of supervision would be more decidedly beneficial?—As to the Bills which do not come under those two classes, which are not introduced by competent departments, and are not introduced for the reform of the law, upon the reports of Commissioners of Inquiry, and the like, there would be considerable use in supervising and revising them.

46. Mr. *William Ewart.*] Although the legal adviser of each department would be probably the best judge of the details of the Bills introduced by such department, do you not think that the supervision of an officer of the House might be useful to simplify and bring into harmony the different enactments of the different departments?—I have stated at the outset that I think supervision would be exceedingly useful in all Bills with reference to this object, to ensure the observance of those rules which are applicable to all legislation; but I wish to keep entirely distinct the two considerations; I do not want to hold out what would appear to me to be a delusive hope, that you can, by a supervision of that kind, ensure the legal efficiency of all Bills; that you can do some good I do not at all doubt.

47. *Chairman.*] What, in your opinion, would be the effect with regard to alterations in a Bill made during its progress through the House?—It appears to me that it is of the greatest importance to ensure some facility for revision after the alterations have been made. Even where Bills are introduced by the most competent persons, I am afraid that in the pressure of Parliamentary business amendments are acceded to which, upon re-consideration, would not be admitted; a revision there on the part of an officer of the House would secure an opportunity for revision on the part of the persons also who framed the Bills; if it be possible, consistently with the transaction of Parliamentary business, it would be of the greatest importance that that should be secured.

48. Mr. *William Ewart.*] It sometimes happens, from the lateness of the hour, or from the attendance of Members in the House, the majority being on the one side or the other, that Members are obliged to admit clauses into their Acts of Parliament, or allow alterations which they may not themselves approve of?—Certainly.

49. In that case supervision would be very desirable?—Yes.

50. *Chairman.*] I believe I am right in saying that one of the greatest risks of defect in legislation arises from the manner in which amendments are admitted in Committee of the House?—It is a considerable risk, and it certainly is convenient, for framers of Bills at any rate, to adhere to the doctrine that it is the greatest; upon the whole, it is a very great one.

51. If a plan could be devised by which the House might have the benefit of the judgment of an officer such as you have described with regard to amendments which had been introduced into a Bill, you would think that to be a matter of great advantage?—I think it must be of great advantage.

52. Have you formed an opinion as to whether it is desirable that such an officer, if he were established, should act alone, or in aid of a Committee of the House?—My impression certainly is, with great submission to those who are more conversant with the Rules and Orders of the Houses, that it is most material that he should act in aid of a Committee; as far as my observation goes, I can hardly conceive that an officer standing alone, would have sufficient weight and authority. He would be necessarily felt to be an obstruction in some cases, and he would not speak with sufficient authority unless his opinions were conveyed through a Committee, and, in fact, were confirmed by the judgment of a Committee. Among the Members of both Houses of Parliament there are men more competent probably, if they could give their whole time to the subject, than any person whom you might expect to appoint as an officer, for the revision of Bills; but they cannot give their whole time. Still, if a Committee of this House (confining it to the House of Commons) were appointed, having as its main business the supervision of Public Bills with respect to their form and coherence (and legal efficiency, in cases where reference as to legal efficiency is made to them), it must be of the greatest consequence that an officer should have the assistance of the opinion of experienced Members. The Members of a Committee would want time; the officer would want weight, and sometimes would want the experience, and the advice of

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experienced Members, and of the high legal authorities which you might expect to find on a Committee.

53. You have considered the whole subject since you prepared this minute to which reference has been made?—I have.

54. Do you still retain the opinion expressed in this extract: "Another question arises, as to the manner in which the officer appointed shall communicate with each House. On this question also the practice in the case of Private Bills may to some extent be followed. Where the rule which the officer is to enforce is a definite one and established by Standing Orders, as in the matter of the classification, the officer might be empowered directly to certify to the House that the order has been complied with, that the Bill has been placed in its proper class, and contains only such provisions as would fitly be included in an Act of that class. But as to many of the questions arising on the revision of Bills (nearly all those indicated in the first page of the Second Report of the Commissioners), no rule could be established so definite in its terms or uniform in its application as to be enforced on the certificate of an officer. All that can be done in such cases is, that the House should be informed of the supposed deviations from the standard of Legislative propriety. How can this information be communicated to each House with the greatest chance of having its due weight? The best expedient that suggests itself, is that the officer should, as in the case of Private Bills, act in each House as the assistant of a Committee. A Standing Committee (on Public Bills) might be appointed at the commencement of each Session for the purpose of the revision of the Public Bills (or such of them as might be referred for that purpose), and generally for securing those objects in the way of the improvement of current legislation which are indicated in the report of the Commission. Such a Committee in each House, composed it may be presumed of some of the Members most eminent for legal knowledge and Parliamentary experience, while assisted by the officer, would have the ability to confirm or correct his opinions in doubtful cases, and would speak to the House with great authority"?—I still retain that opinion; no better expedient has suggested itself to me.

55. In the Second Report of the Statute Law Commission, I believe the Commissioners intimate an opinion that it would be better, if practicable, that there should be one and the same officer for both Houses?—That is the opinion intimated. There are some advantages no doubt in having two; but there is the danger of conflict unless they arrange to act together.

56. Lord *Stanley.*] With regard to your proposition, that the officer to be appointed according to your plan for the two Houses shall be assisted by a Committee of each House, do you propose that every Bill brought into the House should be referred to that Committee?—I think it would not be necessary that every Bill should be specially referred. It might be understood, or prescribed as a part of the duty of the officer, to watch the Bills with reference to those general rules which I have described in a previous answer extracted from this minute. There might be a special reference to the Committee as to the legal efficiency of the Bill. I do not think that it would matter much whether *pro formâ* every Bill went before the Committee. I should expect that it would in ordinary cases be merely a formal reference.

57. Then, in point of fact, you would recommend that the Committee should only examine those Bills to which its attention was called by the officer of the House?—By the officer of the House or by the House itself. When the House itself thought fit to refer a Bill to the Committee, it would, of course, be the duty of the Committee to examine it with special attention.

58. Considering the amount of current legislation every year, has it occurred to you at all to consider during what length of time such a Committee would be occupied; what number of days on an average it would have to sit during each Session?—I have not considered in detail the time of the sitting of the Committee. The officer no doubt would be fully employed during the whole Session. The sittings of the Committee would be sittings at which the officer would call in aid the opinions of the Committee.

59. What I want to obtain from you is the manner in which you propose to obviate the following difficulty. It would of course be desirable, according to your plan, that such a Committee as you speak of should be constituted of those Members of the House to whose judgment and experience the greatest weight would

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would be attached. It would probably also be the case that such a Committee would require to meet very frequently during the whole Session, and the difficulty to which I call your attention is that of obtaining a sufficient number of Members, such as you would desire to have appointed to sit on such a Committee, to meet so frequently, for the purpose of effecting an object which is almost of a mechanical nature?—I think the meetings of the Committee for what may be called the mechanical purposes would, if the Committee met at all, be merely formal; with reference to the consideration of legal points, as to the efficiency of Bills, which might be raised by the officer, I should think that those meetings would not be very frequent, and that attendance might be obtained. I am speaking with great deference and doubt.

60. Mr. *Evelyn Denison.*] Supposing you have passed the Committee, and you get into the House with a Bill, how do you propose that this Committee shall speak to the House? I think eleven Members are proposed. Unless there had been meetings of the Committee, no single Member would be authorised, in the name of the Committee, to say that there was some objection which ought to be remedied. How would you propose that the Committee should give effect in the House to any expression of opinion?—It does not occur to me that it would be different from the case of any other Committee, which would give effect to its own conclusions.

61. But in all those cases the Committees have met, and the Committees have come to decisions, and have authorised their Chairman to speak for them, or any individual Member would express his opinion; is it rather your purpose that the officer of the House should suggest some difficulty to any one of these 11 gentlemen, and that then he should give utterance to that difficulty in the House, or how would you propose that it should be done?—I conceive that in the great majority of cases the suggestion of the opinion of a competent person to the proposer of the Bill would produce its effect. If it came to a case of conflict, then it must undoubtedly be in the manner which the Honourable Member has suggested.

62. Would not your evidence rather bring us to this, that it is better to take care that Bills should be well drawn than that they should be afterwards supervised and amended?—It certainly is most important that Bills should be well drawn; indeed a great part of my former observations has been directed to that point. I think that no supervision which you can get in the House will dispense with the necessity of having Bills well drawn.

63. You have said that two important classes of Bills, where there are competent persons to draw them, would practically be excluded from the operation of the supervision of this officer?—Not I think wholly. I did not intend to express that they would be wholly excluded, but they would be excluded from that detailed revision which has reference to the legal efficiency.

64. Would not it be better to take care that the remaining Bills should be well drawn by competent persons?—If you can ensure that, it certainly forms a great part of the business.

65. If the suggestion of this officer is rather to be given to the promoter or introducer of the Bill, would not that exclude the necessity of the operation of the Committee?—That is a question which Members of the House of Commons are much more competent to answer than I am, but I think you would have a great advantage in a Standing Committee. For instance, you have to frame general rules. An officer cannot lay down with sufficient authority general rules for all framers of Bills. A Committee may lay down the rules and cause them to be adopted by the House, and ensure their observance.

66. Mr. *Locke King.*] I wish just to carry out your plan in the simplest way. Suppose that a Bill is in Committee, and that it is there amended, to whom would that Bill then go?—It would go to the Standing Committee on Public Bills if so referred; if not, it might go to the officer merely for him to examine whether it did or did not require further consideration.

67. If it did not require further consideration, in what shape would it come back again to the House; would the House be in Committee, or not?—It must be considered again, I take it, by the House in Committee.

68. Mr. *William Ewart.*] It must be re-committed, I suppose?—It must be re-committed in those cases. The cases of recommittal, I need not say, are now very frequent, but that is a matter on which I have no doubt this Committee will be very much more competent to form a judgment than I can pre-

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tend to be. You will also have the assistance of officers of the House. But it does appear to me that, with reference to the effective working of any plan of the kind, there must be some variation in the forms of proceeding in the House. There are amendments now introduced on Third Reading.

69. Mr. *Locke King.*] You said very truly that a great deal depended upon the way in which the Bill was originally drawn; of course you have observed that some Bills are very differently drawn from others. I may say that some are well drawn and others carelessly drawn; do you see any objection to the name of the draftsman being put on the Bill?—Not at all.

70. That would ensure responsibility, and make him feel that he was responsible for his own work?—Yes. Then the question is, how far it interferes with what may be called the freedom of Parliament; a Member may, I presume, draw his own Bill.

71. I speak only of Government Bills?—Yes.

72. You could not very well do it with the Bills of private Members?—No.

73. Mr. *William Ewart.*] With regard to the effect of this supervision, do you not think that it would make the drawers of Bills more attentive to the correct draft of those Bills, if they were aware that there was a chance of those Bills being supervised afterwards in the House of Commons?—I think it would have some effect in that way.

74. Has your attention ever been turned to those Bills which have frequently been referred to Select Committees or Committees upstairs?—Certainly; I have had frequent occasion to notice them.

75. Do you remember that many of those Committees have lasted a long time, and raised a great number of questions, thus causing delay?—Yes.

76. If that occurred with regard to such Bills, might it not happen that the whole process of legislation might be dammed up for a considerable time by the accumulation of Bills before the Committee which you propose?—In all these expedients there is a difficulty of that description, that to some extent you delay legislation. You may delay useful measures. But I think that the other results, of supervision and revision, in shortening Bills, and classifying Bills, and so forth, might countervail that difficulty.

77. Do you not think this officer's duty being of an administrative and executive character, that in all questions of administration and executive he would act with much more promptitude and vigour by being responsible himself, and looking himself to the phraseology and the legal effect of such Bills, unassisted by a Committee?—There is that advantage of an undivided responsibility. I am only afraid, that without the aid of a Committee, he would cease to have authority in the House. I do not know how that would be.

78. Do you not also think, that where there were eleven Members of a Committee, they might individually suggest a certain thing which might not be so desirable, for the same reason as, in the House, Members acquiesce in things which they do not approve of; and that in that way provisions might be inserted in these Bills, which might not be quite consistent with the approval of this officer whose appointment you desire?—For my own part, I think I should trust that a Committee of either House would avoid any improper interference of that kind with Bills which were referred to them only for a special purpose.

79-80. Lord *Stanley.*] But is there not also a risk the other way, that the interference of the Committee would be very little more than nominal, and that practically they would exist only for the purpose of giving greater weight and prestige to what would be, in effect, the decisions of the officer of the House?—There is something of that danger, if it be one; it would seem to me that it would come very nearly to this in ordinary cases, as it is in the case of the Chairman of Committees in the House of Lords. He is in substance the Committee.

81. Mr. *William Ewart.*] In such cases, is there any real use in this shade of a Committee, if the substance depends upon the revising officer; the executive officer being, in fact, the man who revises?—This is an experiment; it might be found in the result, that this shade of a Committee was of no use. Upon the whole, I am inclined to think that it would be of use.

82. *Chairman.*] Have you mentioned all the benefits which you think likely to accrue from the establishment of a Committee of this description?—Perhaps

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it would hardly be fair to enumerate among the advantages of a Standing Committee the results which might also be expected from a Committee sitting for a considerable time; for instance, during one Session. But I think that such a Standing Committee, or an occasional Committee on public Bills, would be of very great use as the Committee could establish rules. That is one material duty which I should apprehend could be performed by a Committee, and could not be performed by an officer; they could establish rules which must be observed. There are some cases in which it would be necessary I think to cause Acts of Parliament to be passed for purposes connected with the improvement of current legislation; the extension, for instance, of the principle which has been worked out to some extent in the Clauses Consolidation Acts. You might have a great number of Bills shortened in that way, by introducing in Acts of general application the clauses which are now repeated (and repeated with considerable chance of error,) in every Bill of particular classes which is introduced.

83. Is there anything else which you wish to add upon that subject?—I think I have expressed all that I have to say upon it.

84. Mr. *Hughes.*] At what stage of a Bill passing through the House would you recommend this official supervision to take place?—It has appeared to me that the formal revision would be after the Bill had passed through Committee when the Bill was specially referred. But an officer whose business it might be to revise Bills should, I conceive, read every Bill immediately that it is brought in. There is one duty which, I think, should be imposed upon him, and that duty certainly might be performed without the aid of any Committee—that is, assuming that the second proposal in the Report of the Commission be adopted, for classification. But with reference to all his duties the officer must read the Bill as soon as he can get it.

85. Is not the effect of that answer this, that there should be a twofold supervision, one previously to the Bill being committed and one after the amendments of the Bill in Committee; one by the officer individually and one by the officer assisted by the Committee?—That would be in effect, I think, the operation; but the first supervision, or perusal, if I may so call it, of the Bill would be to some extent unauthoritative. I think it ought to have authority with reference to the grouping or classification, to secure the placing of the Bill in its proper class, but with reference to other matters, the officer could only then act by suggestions. I think frequently it would be found convenient for the persons who introduced Bills to submit them to the perusal of the officer, even before they were brought into the House.

86. If that supervision of the officer was not in the first instance effective, the result would be that the Committee would not have the benefit of that official revision or supervision to which your plan manifestly tends, unless it was as effective before the Bill was committed as you intend it to be after the Bill has passed through the Committee; do you not think, in other words, that the Committee ought to have the advantage of an official supervision before the Bill is sent to them for consideration?—It would be an advantage that they should have it, but in the case of a great number of Bills, I do not know that you would find it necessary.

87. What I want particularly to be informed on is this, whether the effect of your proposition does not tend to two different supervisions at different intervals or stages of a Bill passing through the House?—Some supervision, I think, must be exercised on the introduction of the Bill; that supervision, it would appear to me, consistently with the forms of Parliament, could only be very limited. Everything becomes a question of time; if you delayed the early progress of a Bill, if you made it imperative that every Bill should be so revised before it went into a Committee of the whole House, it would of course occupy a considerable time.

88. Has it occurred to you that the following course might be adopted consistently with your suggestion; every Bill enunciates some principle which is intelligible to every Member of the House; that principle is decided, I apprehend, upon the Bill receiving its second reading; would you suggest that it should only then, for the first time, receive an official supervision before being committed?—That might be convenient; I speak with great doubt as to the course of proceeding which might be found most convenient in Parliament; Members of the Committee are far better judges than I am, in that respect.

89. If

89. If the Bill had received an official supervision, and went to Committee with the sanction or with the objections of the officer so appointed for supervision, and then received amendments, would it not require a further supervision on the part of the officer after going through Committee?—I think it would.

90. That, in fact, would tend to two stages of supervision?—The question is, how much supervision you can give without obstructing the business of legislation; the more you have the better, if you can get on.

91. Mr. *Evelyn Denison.*] You have said that officers of the departments (and you instanced the Poor Law Board) would naturally be more competent to draw Bills, and be more thoroughly acquainted with the subject matter, than any officer whose business was of a general description; is not the head of a department who brings in a Bill of this kind, more competent to watch over its course, and to judge of alterations that may take place, than any one of the eleven Members of a Committee would probably be?—I think with reference to the special business of his department he is; that having the assistance of persons acquainted with the special circumstances and the special law, he must be more competent than any officer whose occupations are of a general nature; on the other hand, there are considerations connected with Bills of that description, which would not be so much regarded by the heads of departments; the head of a department is looking to his own work, and to his own result.

92. Bringing a Bill into the House of Parliament is his work, is it not?—It is his own work; but he looks at his own object, which is to get in the form of a law that which he desires to effect; but that may not be consistent with the general rules which are applicable to legislation, or to the general interests of the country on those subjects; I mean with reference to form and arrangement.

93. I will assume that there is a competent officer in the department, and that there is a competent head of the department; you say that the head of the department has some particular object which he wishes to accomplish, and that he is neglectful of the general interests; I do not quite understand you?—You will allow me to revert to what I before said; there are general rules applicable to all legislation.

94. Let us come to the particular point?—That is the particular point; you ask me what he neglects; I say he may neglect those general rules, perfectly aware that he is getting an efficient measure.

95. If anything was to take place which should diminish the responsibility of the head of a department bringing in a Bill for his own departmental business, and throw that duty upon a Committee, would not there be perhaps a great loss in that?—I think there would be. With reference to the legal efficiency of these particular measures, I quite agree that there would be some risk of loss by lessening the responsibility of the head of the department. There would not be very much risk of loss, because still the responsibility would mainly rest on him, but as far as it goes there is that danger.

96. If the Bill was prepared by competent persons, and the responsibility lay upon the head of the department to see that Bill go properly through its stages, can you imagine any better system for carrying a Bill through the House of Commons than that?—So far as respects the particular Bill, I think there can be no better system. There is, which may be the fault perhaps of the person who had the conduct of the Bill, the risk of amendments being introduced unadvisedly.

97. If you take the responsibility of controlling that off the man upon whom the chief responsibility rests, and throw it upon a Committee of the House of Commons, surely you increase the probability of incongruous matter getting in, do you not?—If you threw the whole responsibility as to the alterations on what may be called the Standing Committee, which perhaps would not frequently meet, it would rather diminish the protection against that evil.

98. If you in any degree diminish the responsibility of the man who has the conduct of the Bill, do you not do harm by doing that?—I think it is open to that question.

99. Mr. *William Ewart.*] Does not it happen sometimes in Committees that a Member may be able to attend one day, and not on another, and that consequently you have not always the same minds applied to the same subject?—That must frequently happen, I have no doubt.

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100. Are you aware that in some cases before Parliamentary Committees the person who drew the Bill is examined by the Committee?—Yes.

101. Particularly with regard to Law Bills; for instance, the Fines and Recoveries Bill, and Bills of that nature, where Mr. Tyrrell was examined; do you think that that might be a great advantage sometimes?—As to the Bills which the honourable Member has mentioned, I have said before that I think the supervision of the Committee would have very little effect.

102. Sir *William Heathcote.*] With reference to the questions which were put to you just now, permit me to ask you whether the responsibility which you intend to throw upon this officer, assisted by the Committee, is not quite of a different character from the responsibility which attaches to the head of a department; the head of a department in introducing a Bill intending to produce certain effects for the better administration of his department, the officer and the Committee only having to take care that in so doing he does not interfere with legislation as applied to other subjects?—I quite agree in that.

103. Is it not, therefore, perfectly possible that the Committee and the officer might exercise a very wholesome supervision over his action with reference to his department, so far as concerns the mode of legislation, without in the least interfering with the substance of the law?—I quite agree. The question states in much better terms than I can my view of the subject.

104. *Chairman.*] I understand you to be of opinion that this officer should have nothing to do with any questions of expediency or policy of legislation?—Certainly.

105. Mr. *Locke King.*] In order to carry out the suggested plan of appointing an officer, it would require a considerable alteration in the forms of the House; you must be aware that there would be a great deal of difficulty in doing that; would it not also cause delay?—I think some delay would be incident to it. In these cases there are always countervailing considerations. It occasions delay in one way by the multiplication of stages. On the other hand, it lessens delay if incidentally it produces greater care in the preparation of Bills. If the preliminary revision which was alluded to by an honourable Member were applied, I think the tendency upon the whole might be rather to lessen than increase delay.

106. Has the following mode occurred to you, namely, that the Bill should pass through the House of Commons as it does now with its imperfections, and that before it entered the other House, the supervision should take place, and a report be made to that House, and that it should then be amended, if amendment was required, and sent down again amended?—I can hardly say that that has occurred to me as advisable in ordinary cases, but I have some idea that that it might occasionally be a convenient mode of operation. For that purpose there must be some modification of the rules as to privilege. Every now and then amendments which might be usefully introduced by the Lords are prevented by a consideration of the privileges of this House.

107. Mr. *Hughes.*] But the effect of that would be, that the House of Commons would lose the advantage of the official supervision?—Yes; I think at any rate it should only be one of the stages of supervision.

108. Mr. *Locke King.*] But it would tell either way, because the Bill might come from the Lords to the Commons?—Yes.

109. Mr. *Dunlop.*] Would there not be more delay in sending a Bill back from one House to the other, than in a supervision before it left the House in which it originated?—I am inclined to think that it would not be greater in the case of amendments of the description which would result from this supervision. No amendment under the circumstances supposed would be introduced at variance with the policy and objects of the Bill.

110. Sir *William Heathcote.*] Would not the effect of such a suggestion as that be, that the House into which the Bill went for the second time having amended it in, perhaps, an important particular, the House to which it was returned with that amendment, would only have one opportunity of considering it, and that not in Committee?—That would be an inconvenience.

111. Mr. *Locke King.*] Everything would depend upon the confidence placed in the officer?—Much must depend on that, of course.

112. The principle would not be affected?—The principle would not be intentionally affected, no doubt.

113. Sir *FitzRoy Kelly.*] In addition to the experience which you have acquired as the adviser of the Government, or of an important department of the Government, in the preparation of certain Bills, has your attention also been especially directed to the preparation of Bills, and the difficulties and evils which exist under the present system, as a Member of the Statute Law Commission?—I have had occasion, and it has been my duty to attend to these subjects in the course of the inquiries of the Statute Law Commission.

114. In both capacities?—In both capacities.

115. Besides a great many Bills, which in various forms and by many gentlemen of experience have been prepared during the earlier years of the existence of the Commission, have several Bills been prepared, and are others now in the course of preparation, upon one uniform system, which has been adopted, and, as nearly as may be, acted upon, during the last 12 months, or thereabouts?—They have.

116. Adverting then to the improvements, or attempted improvements effected in the preparation of Bills upon that uniform system, and distinguishing between all questions upon the policy of the law, or of any alteration in the law to be introduced and enacted (which probably you will consider are for the mover of the Bill and for Parliament itself, and not for any officer or Board), and the form, and mode, and language to be adopted in the preparing of Bills, will you be so good as to state what you consider to be the principal evils in the preparing of Bills, as to the form, and mode, and language in which they are prepared and passed through Parliament, which require a remedy?—As to the form, I conceive that what is desirable is, that the same form should be adopted, and the same language employed, wherever the same subject is referred to, and the same object to be attained.

117. Is not the great difference of phraseology adopted in different Acts of Parliament under the existing system to express the same idea, one of the evils which calls for a remedy, and which you think might be remedied by some uniform system being adopted in the revising, and so in the preparing of Acts of Parliament?—That is an evil which might be remedied by competent authority.

118. Seeing that a Bill may be brought in upon any subject by any one of the 658 Members of the House of Commons, and a great many Members of the House of Lords, do you see any other mode of remedying that evil but that Bills should, with a view to uniformity of phraseology, be submitted at some period or periods of their course through Parliament to some officer or Board, who might suggest to both Houses in succession that uniformity of phraseology which is sought to be secured?—No other mode occurs to me than to secure some authoritative supervision by an officer of the House, with or without the aid of a Committee; I still adhere to the idea that a Committee might, as to the establishment of general rules, give authority to the acts of the officer.

119. I will ask your opinion by-and-by as to the different stages of this revision and the persons or bodies of persons through whom it may possibly be effected. We will consider by-and-by whether it is to be done by means of a Committee of either House of Parliament, referring each Bill to an officer who may have the assistance of a Board, and what are to be the separate functions of the Committee, and of the officer, and of that Board; but at present be good enough to confine yourself to the question of the evils to be remedied; one which you have stated is the difference now existing in the phraseology adopted in Acts of Parliament?—That is a considerable evil.

120. Which might be, as you think, effectually remedied if one officer and one Board were to revise every Bill which is introduced into Parliament, and suggest, without any alteration in the principle or in the legal effect of the Bill, one uniform description of phraseology?—Yes.

121. Is another evil existing in the present system, the want of any distinct and logical arrangement in a Bill, as it is submitted to Parliament, of the subject or subjects, and of the enactments embraced in that Bill?—The want of arrangement occasionally occurs in a marked manner, but the difficulty in adopting what may be called a logical arrangement as to the contents of the Bill, I have no doubt has occurred to the honourable and learned Member in the great labour which he has bestowed upon the revision of Bills. There

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is a very great difficulty in always ensuring logical arrangement, but still something may be done.

122. It is therefore that I venture to ask you whether, at all events, there are remedies for an evil requiring a remedy?—Yes.

123. It has been to some extent remedied in a great many Government and other Bills of late years, such, for example, as the Merchant Shipping Bill and the Joint Stock Companies' Bill, where we find that the Bill is divided into heads or distinct subjects introduced by the words, "As to Unincorporated Companies," "As to Incorporated Companies," and so forth. Do you think that it is an evil now existing that that is not done, and well and effectually done, in all Bills, and an evil which might be remedied if they were submitted to the revision of some such officer or Board as is now under consideration?—I think that that may or may not be of universal application. It is very convenient in its application to some classes of Bills.

124. Is another evil, and one of very great magnitude, the ignorance, or at least the want of familiarity in the framer and introducer of a Bill upon a particular subject, with the existing law, so that he is unaware at the time that he introduces and advocates his Bill, what is the effect upon existing law of the Bill which he so introduces?—That is an evil which frequently exists, I have no doubt.

125. Do you not think that the existence of an officer and Board, such as are now in contemplation, to whom Bills would be submitted, and who might report upon the existing law, and how the existing law was affected by the terms of the Bill in question, would to a great degree tend to remedy that evil?—It would tend to remedy the evil where it exists. I took the liberty of suggesting just now, that, as to a great number of the Bills which were introduced, the framers were much more conversant with the existing law specially applicable to the matter than any revising officer, however high he might be in general legal knowledge, could be expected to be.

126. Do you find that it follows from the introducer of a Bill being at the head of a department such as you have described, however learned he may be upon the particular subject with which he is dealing, that he is enabled to see the effect upon the existing law of all the enactments of his Bill?—The head of the department may not be, but I conceive that his competent legal advisers generally are.

127. Where he has competent legal advisers?—Where he has competent legal advisers.

128. But do you not find, and do you not know, that those who are now engaged in the consolidation of the Statutes find, to a very vast extent, that Acts of Parliament have been passed which have effected, wholly or partially, an implied repeal of other Acts of Parliament and enactments, which it is impossible to suppose that the framer of the latter Acts had ever contemplated?—That now and then occurs.

129. Do you not find, also, that there are very great difficulties from the mode in which many Acts of Parliament repeal former Acts of Parliament or enactments, by some such general and comprehensive, and, therefore, almost unintelligible enactment as this, "So much of a certain Act of Parliament, and of a certain other Act of Parliament," and so forth, "as is inconsistent with any of the provisions of this Act, shall be, and is hereby repealed;" do you not find that great confusion and great difficulty in determining the law upon any Act or Acts of Parliament arise from the use of expressions like these, often to be found in even the most modern Acts of Parliament?—Yes, difficulties arise on them. Difficulties arise, no doubt, on the consideration of the whole body of the statute laws, from the absence of an express and clear repeal of the matter which is intended to be repealed. As to the phrase "so much of any former Act of Parliament as is inconsistent with this Act shall be repealed," it amounts to little, I imagine. The subsequent law abrogates the prior law without that expression. I am afraid that the difficulty arising from the cause described in the question is an evil to prevent which you must first have a consolidation of the existing statutes.

130. Assuming that the consolidation shall have been effected of much of the existing statute law, would it not be, in your judgment, absolutely necessary that there should be some such officer and Board as are now in contemplation

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tion to watch and revise future legislation with a view to its adaptation to the consolidated statute law?—That, I think, would be of great importance.

131. Otherwise would not the very same evil which now leads to the necessity of consolidation begin and grow up again from the same cause as that which has led to its present existence?—I have no doubt it would be continually growing. I am afraid one cannot altogether avoid that.

132. Looking to all these objects, are you of opinion that they might be wholly or partially attained by the appointment of a competent officer and Board to consider and to report upon Bills in their passage through either House of Parliament?—I have no doubt that the evils which the honourable and learned Member has described might be to some extent, and to a considerable extent, obviated, and that they cannot otherwise be obviated.

133. Have you yourself formed any definite opinion as to the course of revision thus to be effected; I see that in the paper before the Committee, a Committee, it may be, of 11 Members, is suggested, through whom Bills are at certain stages or periods to be referred to this officer. Let me first inquire about the Committee; do you see any necessity for the Committee who is to perform this operation doing more than taking the different Bills which come before the House at the proper stage and referring them to the officer and Board, which we will suppose to be appointed; and then upon the report of the officer and Board being made, the Committee receiving that report and submitting it to the House to which that Committee belongs; or do you contemplate any other functions in the Committee, and if so, what are they?—The ordinary business of the Committee, probably, would be to receive the report of the officer; but I think there would be many cases in which the officer would desire the opinion of the Committee.

134. Just let us apply it to some practical case; let us suppose a Bill for the amendment of the law of bankruptcy in relation to joint stock companies (which is just now very much desired) to be brought in by an officer of the Government, read a first time, and read a second time, and then, in order that this operation may be performed upon it, it is determined to refer it to the legislative officer and Board whom we will suppose to have been appointed, what are the functions which you contemplate as fit to be exercised by the Committee through whom that Bill is referred from the House of Commons, in which it has been read a second time, to the legislative officer and Board, who have to consider its provisions with a view to remedying all these evils, and offering whatever suggestions may appear expedient? We will suppose a Bill read a second time in the House of Commons, which is to be referred at that stage of it to the officer and Board in question; what do you imagine should be the office of the Committee of the House, the Committee of eleven, in relation to that Bill? Do you contemplate their doing any more than simply referring that Bill to the officer and Board?—I think that would be the first stage, which would be entirely formal, referring the Bill to the officer or Board; then would come the business of revision.

135. Let me suppose that the officer, with the assistance of the Board in question, upon looking through this Bill, finds, in the first place, that there is no arrangement or division in the Bill between the enactments relating to bankers and banking, and the enactments relating to insurance companies, and to other descriptions of joint stock companies; and let me suppose that, seeing, as we know to be the case, that the law is very different as to incorporated banking companies and incorporated insurance companies, he should suggest a different mode of arrangement; that clauses 8, 9, 10, and 11, which relate to bankers, should be placed earlier in the Bill, and under one head as to incorporated banking companies; that then eight or nine other clauses relating to insurance companies should be placed under another head as to incorporated insurance companies, and so forth; and let me likewise suppose that the officer in question should discover that the effect of two or three clauses of the Bill in question would be to repeal two or three sections of the bankrupt laws in general, which might be attended with very great mischief, which possibly might not have been contemplated by the framer of the Bill, and that he therefore should expressly report and call attention to the fact that clauses 7, 8, and 9 would have the effect of repealing wholly or in part sections 11, 12, and 13 of the present Bankrupt Act applying to bankruptcies in general; and let

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let me also suppose three or four other suggestions as to the effect of the Bill upon the existing law; these I will suppose to be put into the form of a report by the officer and the Board whose assistance he has; what would be the next stage, the *modus operandi?*—I think the Committee, in cases of doubt or difficulty, would be referred to by the officer.

136. That would be before he makes his report?—I assume that the report is not to be made to the House in the name of the officer, but as the report of the Committee.

137. Suppose then such a Bill as I have described, and with these defects appearing upon it, referred by the Committee to the officer and the Board; the officer and the Board perceive these defects; is it your idea that it would be expedient for the officer and the Board, before they consider the question and come to conclusions themselves as to what amendments ought to be made in the form of the Bill, and before they report those conclusions, to communicate with the Committee of 11 Members of the House of Commons upon those amendments?—I think that, as to certain amendments, it would be desirable that the officer should communicate with the Standing Committee, and have their judgment.

138. You say, "certain amendments;" do you mean by that certain classes of amendments, and not others, and what sort of distinction do you draw?—I think you will find that, in the details of all legislation, there are clear cases and doubtful cases; and when a doubt suggests itself to the mind of the officer, he should obtain the judgment of the Committee.

139. Do you mean that it would be expedient for the officer to seek the judgment of the Committee upon all questions of difficulty, or only upon certain classes of questions; and, if so, upon what classes of questions?—I think it should be upon all questions that appear to the officer or Board doubtful as to the observance of general rules. We will assume that a general rule is laid down that there should be no felony created in a particular class of Bills; there is an enactment creating a new felony, which ought to be properly introduced into some statute relating to the criminal law. The case might be doubtful whether, under the circumstances, the insertion of this part of the criminal law into a statute generally relating to other matters was justifiable; that might be brought under the judgment of the Committee, and a special report made on it to the House.

140. Then what do you suppose to be the functions of the legislative officer; suppose he and the Committee, upon some such point as you have mentioned, entirely differ?—The Committee might then use its own judgment in reporting its own opinion and the opinion of the legislative officer, or it might report the opinion of the legislative officer without expressing any judgment of its own.

141. Do you not think, considering the vast number of Bills introduced in every Session of Parliament, and the great number of questions which, at all events till legislation becomes matter of more fixed and definite usage, would arise on every Bill, that if communications and, probably, discussions on every doubtful and difficult point were to take place between such an officer and the Committee of 11, that Committee of 11 would find their whole time throughout the Session much more than fully occupied; do you not think, in other words, if you reflect upon the number of Bills and the number of questions which may arise, that it would be much better if the legislative officer, whom for this purpose we will consider to be a competent man, and to have competent assistance in the shape of a staff or Board, were himself to exercise his judgment as well as he could upon all questions coming before him, and to report through this Committee to the House, leaving it to the Committee, in their report to the House, to append any observations or comments of their own that they thought fit?—I think it would come nearly to the same thing; you might or you might not impose it as a duty on the officer to consult the Committee; but if it were open to the Committee to add suggestions of their own, I think the same object would be attained.

142. Let me ask you also with regard to the officer himself; have you considered the qualifications that would necessarily be required for such an officer?—General legal knowledge and experience, and some special experience with reference to Parliamentary Bills and Parliamentary business.

143. Do you not think that it is really the greatest difficulty of all in this scheme

scheme to find a competent officer?—I think it is not only a great difficulty, but an insuperable difficulty if you suppose that there is to be imposed upon this officer the task of finding the legal effect of every Bill which is introduced, including those which are introduced, for instance, on the report of commissions. If this officer of the House is to be responsible, we will say, for the legal efficiency of all the measures which are introduced on the Report of the Statute Law Commission, or which are introduced by the Minister of Justice (when there is one), I think that you will not only have a difficulty, but an impossibility, in finding such a person; the only course in that case, if you insisted upon a revision applicable to all Bills of that description, would be to have a very large staff, and a staff composed of persons of the highest judicial character in the kingdom. Then I am afraid the result would be, that it would obstruct the ordinary course of legislation, that you would have discussions on the legal efficiency of Bills, and that the machine of legislation would stand still. I must recur to my former observations. I do not think that you can get an effective revision with reference to the legal efficiency of every Bill. In the case that the honourable and learned Member has put of a well-considered Bill introduced in consequence of the investigations of a Commission or Committee with reference to the law of bankruptcy and insolvency, I am afraid that the efficiency of the Bill, the question as to its being effective or not effective, must rest on the labours of the Committee or Commission under the authority of which it is introduced.

144. Is not one of the greatest difficulties, if not the greatest difficulty in legislation, the determining beforehand what will be the effect of the proposed law upon the existing law; and is not that difficulty sometimes of such magnitude as to require the aid of the very highest order of abilities?—It certainly is.

145. For example, if the Joint-Stock Companies' Winding-up Act had been submitted to an officer and a Board like this, to whom it is probable the question would then have occurred which has since arisen, does this or does this not repeal the bankrupt laws in relation to the British Bank or any other joint-stock banking company; would not that have been a difficulty so great that all that could have been done would have been to approximate to a just conclusion, without the possibility of anything like a certainty that the conclusion arrived at would have been the right one?—There can be no absolute certainty as to the effect of laws. I believe that in that case (my recollection may not be correct), that very Bill occupied the attention during a very considerable portion of a Session of some of the most eminent members of the legal profession.

146. To no one of whom, I believe, it ever occurred that the question would arise under it whether it repealed the Bankrupt Laws as regarded a joint stock company?—I suppose not; if it had, they would have avoided the difficulty. But one must not suppose that these defects all arise *per incuriam*. In order to make a perfect law on many subjects, it would be necessary to have a perfect knowledge of all existing law, and a perfect knowledge of all the course of facts and events upon which the law was to operate.

147. Do you not think, adverting to these difficulties, that though it is impossible to arrive at perfection in the framing of Bills, great facilities would be afforded, and that we should approximate, at least, to a state of very great improvement if we had a competent officer and a Board to whom all Bills, with these views, and for the remedying of these many evils, were to be submitted?—It would be a step in improvement, and a very considerable one, I should hope.

148. At all events, do you not think that the officer who is to be appointed, should himself be a person of the highest qualifications which could be secured in one person?—It is desirable, certainly.

149. And that he should have such assistance, by means of a Board, as would enable him to deal more or less satisfactorily with the whole of the Bills which would come before him during the Session?—The more labour and ability that you can get bestowed upon the subject, the better. I do not know that I can carry it further than that.

150. With regard to the time of revision, does not it occur to you, upon considering the course of a Bill through either House of Parliament, that it would be desirable, if such an officer and Board were established, first to refer to them a Bill when it should have been read a second time; I do not say before, because many Bills are read a first time and then are rejected by the House; and it

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would be to impose useless labour upon such a Board, to refer to them every Bill, upon its first reading, for consideration; but as soon as the Bill has been read a second time, so that the House of Parliament in which it has been introduced has expressed its approbation of it, do you not think that it ought then to be referred to such a Board, if in existence, and that then, when the Board shall have reported upon all these points and difficulties to which we have been adverting, the House of Parliament, having considered the report, and with the aid of the report having passed the Bill through Committee, it should afterwards, before being finally read a third time and passed in the House in question, be again referred to the Board, so that the Board might see what the alterations made in Committee were, what was their effect on the existing law, and whether those alterations or the whole clauses as they stood, were open to any further observation, and required any further report; do you not think that those are the two stages at which it would be convenient and expedient to refer the Bill?—It would be desirable to have two stages if you could. I think you would find practically that for the performance of the duties of such an officer, it would be absolutely necessary for him to take up every Bill on its introduction as soon as it was printed, or that whenever it was practicable he should get it even before it was introduced into the House. I think you will find that that is the way in which the business works as to private Bills, and practically I think it would be the best as to public Bills, that as soon as the Bill was at all in a shape to be introduced, it being assumed that it was quite certain that it would be submitted to the House of Parliament, the officer should get it and read it. Otherwise I am afraid of this, that if you were to defer everything to the second reading, there would be a pressure upon any officer or Board which would become too formidable.

151. Do you not think that that pressure would be greater if every Bill was referred before it was brought in at all, seeing that the number of Bills brought in is at least twice, probably three or four times as great as the number of Bills which succeed in passing a second reading?—I should hardly have estimated the number of failures on the second reading so high as that. I still think that there would be an advantage, not perhaps in a formal reference, but that there would be an advantage in the course of business in the officer reading each Bill as soon as it could be had. Just take the present state of the Session. There are a number of Bills which have been introduced. If the officer is to hold his hands until the second reading, there then comes a press.

152. If not, will you not open the door to this greater evil, that you will then really make this Board the preparers of all Bills, and will throw off the expense and labour and responsibility of every Bill which is brought into the House of Commons from him who brings it in upon this Board?—I merely refer again to the experience as to private Bills. The Bill is generally submitted to the advisers of the Committees of the two Houses before it is introduced.

153. That opens another question; there are a great number of Standing Orders as to private Bills which do not apply to public Bills. Do you not also think that if an uniform system were introduced and adopted in the Board by its reports, and by the conformity of both Houses of Parliament to the recommendations of such a Board, in a very little time the form and language and the general system adopted by the Board would introduce itself among private draftsmen, so that every barrister and every legal man, and almost every one familiar with the mode of drawing a Bill, would say, "This is the kind of phraseology adopted, this the sort of arrangement, this the mode in which that great Board operates; we must operate in the same way, or we shall only have our Bill cut to pieces"?—They would find the necessity of conformity. I have no doubt that in that way the benefit would be very great; it would work by way of anticipation.

154. Mr. *Dunlop.*] I do not see stated in this minute, among the objects which you think the Committee should endeavour to attain, the seeking that the phraseology of Bills applying to all parts of the kingdom should carefully be framed, so as to have special application to the particular laws or forms of procedure which obtain in the separate parts of the kingdom; for instance, that Bills applying to Scotland should have the legal phraseology of Scotch law?—I think that the absence in many Bills of sufficient care as to their operation on the several parts of the United Kingdom is a great evil. I think

think it would be remedied to a great extent by the second recommendation of the Commissioners, viz., the classification.

155. Mr. *Hughes.*] I think I elicited from you the opinion at a former stage of this examination, that the suggestion of a supervision would result in a supervision at two different stages. Do you think that the suggestion which you have now made to Sir FitzRoy Kelly might be carried out in this way, that upon the Bill being ordered to be printed, it should be lodged with the legislative officer?—I think that should always be done.

156. That upon that he should exercise his own discretion as to informing himself of the principle of the Bill, and any objectionable matter in that principle, but that it would not be an imperative duty upon him to read it and report upon it until it had received the approbation of the House upon the second reading; that then his official duty would commence?—I think, with reference to the question which an honourable Member put to me just now, that one duty which should arise, on the first occasion which the officer might have of reading the Bill, should be to see that the Bill is placed in the proper class, always assuming that the principle of classification be admitted.

157. The suggestion which I make is, that the imperative official duty should commence for the first time upon the Bill receiving the sanction of the House as to its principle; that then the officer should report formally before the Committee would discuss the amendments, and that upon the amendments receiving the sanction of the House, the Bill should be further submitted to him officially, upon which he should make his formal report before the Bill received the further sanction of the House upon the third reading?—Probably that would be a convenient course.

158. *Chairman.*] You observe that the Second Report of the Statute Law Commission deals with two subjects, first, that to which the Committee have already addressed themselves, viz., the appointment of an officer or Board to revise and improve the current legislation; and secondly, the classification of the public general statutes. Are you of opinion that one duty which might be with advantage cast upon such an officer or Board as that which you have already suggested, if such an officer or Board were established, would be in connexion with the second subject, the classification of the public general statutes?—I think it would be a very important part of the duties of the officer or Board. Of course that assumes that the principle of classification is adopted.

159. Are you of opinion that some improved classification of the public general statutes is very greatly required?—It appears to me to be a step which is imperatively called for. I may take the liberty of saying that this part of the Report of the Statute Law Commission was founded on a memorandum which I had the honour of submitting to them; and on reconsideration, or continued consideration, I adhere to the idea that classification alone would effect incidentally a very great improvement in the business of legislation. Its advantages, I think, would result in a variety of ways. With reference to the question of an honourable Member just now, as to the phraseology of Bills with respect to different parts of the United Kingdom, I may observe that a measure is introduced according to the present system, and that the proposer does not state, and even when the Bill receives the Royal Assent there is no authoritative declaration, in many cases, whether it does or does not extend to Ireland or Scotland. There are many cases, no doubt, where from the generality of the expressions, a Bill does extend to Scotland, but no care whatever is taken to insert the provisions and adopt the phraseology having reference to that part of the kingdom. If classification were resorted to, it would then be a part of the duty of the framer of the Bill to keep that in view; and the Members of the Legislature who are connected with Scotland, would have notice given to them that their country was embraced in its provisions, which they do not now get. I think that if this principle of classification were adopted, it would at once get rid, to some extent, of the reproaches to which the statute book is justly subjected; those Acts and parts of the Acts of every Session which are temporary and administrative would be separated from those which are of general legal operation, which are permanent general laws; those parts which are applicable to the whole United Kingdom, would be separated from those which are applicable to England and Ireland, or to England alone. The case, of course, very seldom happens, that any Act which is introduced in reference

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to Scotland or Ireland only, is extended inadvertently to England. But with reference to the case of English Bills extended inadvertently to Ireland, I have observed even within the last few Sessions, cases where Bills have received the Royal Assent, and have become law, where the framers undoubtedly had not Ireland present to their minds, but in which there are expressions which extend the law to Ireland; those may not be cases of great mischief, but the cause of the accident is one which gives an opening for great mischief.

160. Besides those which you have already mentioned, what are the principal evils and inconveniences which have suggested themselves to your mind as arising from the want of a better system of classification of the public general statutes?—I think, from the want of this classification, it frequently happens not only that parts of the Queen's dominions are subjected to a law which they are not intended to be subjected to, but that there are introduced into special Acts, which really, in their nature, are not more than local or personal Acts, provisions which have the force of general law; and which, emanating from the supreme authority, must continue to be law. Then there would be this great incidental advantage, I think, that the attention of professors of the law; of students, barristers, and so forth, would be directed to that part of the statute book with which alone they have, for the most part, any concern. The study of the law would be advanced. It seems, at first sight, a merely mechanical arrangement; but when we look at this result, that out of 1,005 pages of Acts thrown together without any attempt at arrangement, there are about 226 only of public general law which applies to the United Kingdom, or to this part of it (and even when you take in Ireland and Scotland the quantity is not very much increased), surely the separation of this matter from the rest would in itself effect a great improvement.

161. Are you of opinion that such an officer as you described in the earlier part of your evidence might be made useful for the purpose of carrying out this object of an improved classification of the public statutes?—I think so. I think, assuming the principle of classification to be adopted by the two Houses, that his first duty, on the first perusal of a Bill at the time of its introduction, would be to say to what class or group it belonged, and that he might report that at once to the House, or rather that he should see that it was placed in the proper class or group.

162. I observe that the Second Report of the Statute Law Commission, to which your name is appended, contains a number of illustrations of the present state of things, and an explanation of the improvements which you think might be effected by means of a better system of classification; the Committee are to understand that you entertain now the opinions which you have expressed there?—I adhere to those opinions.

163. They are set forth there at length?—Yes.

164. Mr. *Dunlop.*] There is one class of Bills, viz., private Bills; do you conceive that these should be subjected to any revision, with a view not to their effect upon the private matter, but to how far they may alter or affect the general law of the country?—To the supervision of private Bills I have not paid attention, assuming that that is now satisfactorily attended to; it is clear that it should be.

165. Take the Lands Improvement Company's Act, which authorises a private company to lend money for the improvement of land, and makes the loans by that company preferable universally to all mortgages. That is a question of general law which it might be desirable to consider in the House, and which affects the vested rights of private persons to whom no notice has been given. Should not private Bills be subjected to some revision, so as to ascertain and point out that some such general enactment affecting the general law of the kingdom is contained in that which professes to be a private Bill?—It would appear to me to be necessary for the revisers of private Bills to call attention to a case of that kind in every instance.

166. Mr. *William Ewart.*] With regard to the question of classification, are you aware that, as much as 20 years ago, the statute law of the state of New York was revised?—I am.

167. And that one of the revisers examined then before a Committee of this House, namely, the Committee on Public Bills in the year 1836, made the following statement: "The chief benefit resulting from former revisions was that laws general and permanent in their character were all placed before the

the reader in two volumes, thus relieving him from the necessity of searching for them through 15 or 20 volumes of Session Laws, where they were mixed with local, temporary, and private Acts." It therefore appears that in the State of New York they began with this system of classification?—That, I may say, was a retrospective classification, and I think that that alone would be of great consequence, even if we could not have the more effective operation of the consolidation. I believe it is the evidence of Mr. Duer to which the honourable Member is referring. That is an instructive history of the progress of the formal reform of the New York law; it lasted a long time. That classification was the first step. All that is ventured to be suggested in the Report I think is a classification prospectively. It would seem to me to be an obvious result that as soon as the principle is adopted prospectively, you should deal with all the existing statutes in the manner mentioned by Mr. Duer.

168. That goes to the more general question of a codification of the statutes?—That is a part of the process of codification.

169. Mr. *Dunlop.*] In your own department, when a Bill is prepared applying to Scotland as well as England, is any step taken for securing that its phraseology shall be in accordance with the legal language, and the forms of the procedure in Scotland?—In those cases I uniformly suggest that the Bill should be referred to the Lord Advocate; formerly there was laxity in that respect, but I think I am generally aware of the necessity of that.

170. Sir *FitzRoy Kelly.*] Are you aware that, in the consolidation of the statutes now going on by the Statute Law Commission, an uniformity of phraseology is endeavoured to be effected in the whole statute law of England?—Yes.

171. And that should that work be completed, there will then be a uniformity of phraseology in the whole of the existing Statute Law?—No doubt.

172. Mr. *William Ewart.*] That would be a pattern for the phraseology of future legislation, I presume?—Yes.

173. Are you aware that it was also found in the case of the revision of the New York statutes that the model statutes adopted were found to have a very great effect in modifying and rendering less obscure subsequent substantive enactments?—I am aware that that was stated.

174. *Chairman.*] You would think that likely to be one of the results?—Yes; experience shows it;—assuming Mr. Duer's statement to be correct, which no doubt it is.

175. Mr. *Hughes.*] The subject upon which the Right honourable Chairman has examined you is the subject of classification; you have enumerated some of the advantages likely to arise from a proper classification of the statutes; do you not think that there would be a very great advantage resulting from classification with respect to reference; for instance, commercial reference, not the reference of mere lawyers, but the advantage resulting to a commercial community such as this of Great Britain in being able to have before them the laws affecting the particular department, perhaps, in which they are engaged in commerce; do you not think that that would be a very great advantage to the country generally?—I have no doubt it would. The classification at first might not appear, perhaps, to gentlemen to effect that to its full extent; but if you once get the principle of classification admitted, you will have the subdivisions incident to it.

176. If once the principle of classification was established, do you not think that in the course of classification subsequent subdivisions could easily be adopted as heads of classification, independent of the general classification?—Yes; for instance, mercantile law.

177. Laws affecting cotton spinners, laws affecting time in factories, laws affecting the fisheries of a district or coast, or of the country generally; those would all be proper heads of subdivision, if once the principle of classification was established?—I think that that would follow almost of course. It would follow from the general principle of classification.

178. Sir *FitzRoy Kelly.*] Is not that the process now actually going on in the consolidation of the statute law?—It certainly is; still it is inchoate.

179. *Chairman.*] Supposing that an officer or Board like that of which we have been speaking to-day, were established, and this classification were made a part of the duties of the officer or Board, would that of itself be a very laborious

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laborious part of the duty, or take any great portion of time to perform?—I think not.

180. An important object would be effected, supposing such an officer or Board to be in existence, without any unreasonable demand upon the time of such an officer or Board?—It would most conveniently form a duty of such an officer, but even without such an officer, I have no doubt that the very able officers the House now has might give effect to the principle.

181. Mr. *Locke King.*] When it became necessary to amend an old Act of Parliament, what course would you recommend?—It is generally convenient, no doubt, to repeal the old Act; I think it must always depend upon circumstances; generally the proper course is to get rid of the old law altogether, if the amendments be considerable.

182. That course is very seldom resorted to now, is it not?—It is very seldom resorted to now. There are a great number of courses which are less perfect, adopted by reason, really of the pressure on the time of the members who are to introduce Bills. It is always found by experience that if the whole subject of a tolerably extensive law be opened up, the discussions are great, sometimes they say intolerable. There is also something to be said for this;—the operations are distinct; the operation of amendment and the operation of consolidation; and it may be convenient, sometimes, to confine the attention of the House especially to the amendments. It should almost always, I think, follow that the whole law should be repealed, and re-enacted with the amendments which the Houses have agreed to.

183. If by any means the discussion could be confined to the point of the Act which required amending, that would be the most desirable plan, would it not?—It would.

George Kettilby Rickards, Esq., called in; and Examined.

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184. *Chairman.*] I BELIEVE you hold the office of Counsel to the Speaker?—I do.

185. How long have you done so?—For six years.

186. What is the nature of your duties with respect to private Bills?—It is my duty, under the Chairman of Ways and Means, to examine all private Bills. I will describe the course which I pursue with regard to them. Generally, as soon as a private Bill has been read a second time, I take it up, and read it, and make my notes upon it. I then see the agent for the Bill, go through the Bill with him clause by clause, and point out to him what alterations and corrections I consider the Bill requires. The Bill is then again submitted to me previously to its going into Committee, and I see that my requisitions have been complied with; any amendments which are proposed to be made in the Bill are afterwards submitted to me. In fact, I watch the Bill in its course until it passesthe House of Commons.

187. Have you considered the subject of the reference to this Committee?—I have considered it to some extent.

188. What objects, according to your observation, are of the greatest importance with regard to the language and frame of Public Bills?—It appears to me, from my own observation, as well as from the Report of the Commissioners for consolidating the statute law, that there are two separate classes of defects in the public Acts which require a remedy. The one consists of defects in form, in the phraseology and style of the Acts; the other is the occurrence of oversights, inaccuracies, inconsistencies—what may be called mistakes in legislation, such as often require an amending Act. Those I think are two different classes of evils, and require, to some extent, different kinds of remedy.

189. With regard to the style of drawing a bill in the first instance, what has occurred to you?—The defects in the style of drawing bills, I think, must be obvious to the Committee; perhaps it is hardly necessary that I should enlarge upon them; the prolixity, the verboseness, the tautology, and the want of uniformity in the various Acts; I should say, however, that it appears to me that there has been a great improvement in the style of the Public Acts within the last few years; at the same time I think there is still room for considerable further improvement.

190. What plans have suggested themselves to your mind with a view of effecting that improvement?—In order to bring about an improvement in the style

style and phraseology of Public Acts, and also to make the Public Acts generally uniform in their style, which I think a very important object, perhaps the most effectual means would be to have a corps of regular selected draftsmen to draw all Bills. If all the Bills came from the same workshop, we might expect that they would be uniform in their style and frame, and means might be taken to secure that style and frame being the best. If there were no important objections to that plan, it would be the most effectual means of securing the improvement required.

191. I infer, from your answer, that you think there are important objections?—I think there are.

192. Will you state them?—I think there are various objections. I may mention, in the first place, that it would require a very extensive change in the present arrangements; it would involve a very considerable expense; you would want a pretty numerous corps of lawyers of eminence and of ability. It would be a very large and expensive scheme, and I think that there are objections to it of another kind. There are many Bills which are committed to particular draftsmen, not because they are supposed to be the most skilful draftsmen who are to be found, but because they happen to be particularly well acquainted with the subject on which it is desired to legislate. One barrister, perhaps, is particularly acquainted with the subject, we will say, of turnpike roads, or of patents, or of shipping, or some other subject, and he is selected for that reason. Now I think that by the appointment of such a select body of draftsmen as I have now adverted to, you would very much restrict the choice of draftsmen for preparing Bills. Then, again, you would interfere with the liberty which individual Members of Parliament now possess, of having their Bills prepared by whom they think fit, or of preparing their own Bills, as I believe they not unfrequently do. Besides, I am not sure that the experiment of selecting a certain number of draftsmen who should do nothing else but draw Bills, would be the best mode, after all, of attaining the end proposed. They would be entirely removed from practice as lawyers, and, perhaps, in some respects they would not be so fit for the work as many draftsmen who are employed at the present time.

193. Mr. *William Ewart.*] The present system, on the whole, is more favourable to a division of labour?—I think it is so; and I think other means might be adopted consistently with the present system for improving the style and frame of the statutes without resorting to the extreme course of employing an exclusive body of draftsmen, who should prepare all Bills without exception.

194. *Chairman.*] What other means would you suggest?—I should not suggest any compulsory means, but I think a great deal might be done in the way of suggestion and recommendation. I observe, that by the terms of the Statute Law Commission it is a part of the duty entrusted to the Commission to "devise and suggest such rules (if any) as may in your judgment tend to ensure simplicity or uniformity, or any other improvement in the form and style of future statutes." Now it has occurred to me, that if a paper of instructions to draftsmen were either prepared by the Statute Law Commissioners, or prepared by another body, and sanctioned and approved by the Commissioners, containing the directions which seemed to them most advisable, both with respect to the style and phraseology of Bills, and with respect to the particular enactments and details, a great deal of good might be produced, and that, by such arrangements as I will venture to suggest to the Committee, an uniform, or almost uniform, adoption of those instructions might be attained. I will state what I think those instructions should contain. I think they should contain, in the first place, general directions as to the style and language to be adopted, plain and obvious rules as to style, which are now too much neglected; such, for instance, as that the same term should always be used to express the same idea; that unnecessary words and unnecessary clauses should be avoided; that a simple structure of sentences should be aimed at, instead of the complex parenthetical sentences which we now find: that short sections, as a general rule, should be used in preference to long sections; in fact, that a simple and natural style of English should be adopted, instead of that conventional style which has been generally used in statutes, following the model of conveyancers' deeds and settlements. As an example of what I mean, I would refer to this Paper issued by the Statute Law Commission, which is headed "Instructions to Draftsmen." This gives certain general precepts as to a better composition of statutes. Perhaps I may be allowed to say with great deference to the per-

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sons from whom this Paper proceeded, that I do not wish to point to it as a perfect model, but as an example. In addition to these recommendations as to style, I think the "Instructions" might contain rules to be observed as to the special parts of Bills, such for instance, as directions with regard to the language to be used for conferring permissive, and for conferring compulsory powers, for marking the distinction between directory and compulsory enactments, with regard to the use of preambles, and of interpretation clauses, with regard to the mode of repealing Acts in whole or in part with regard to the mode of citing Acts, with regard to short titles, saving clauses, and other details of Bills. I think if a paper of instructions of that kind were prepared, and if it were to receive, in some way, the sanction of the highest authorities in both Houses of Parliament, the Lord Chancellor and the Speaker, it might then be issued to the Government Departments to be followed by their draftsmen. It might be obtainable by Members of either House of Parliament at the House, and be distributed to Parliamentary agents, so that it might be adopted as well for Private as for Public Acts. By those means, I think we might expect that the "Instructions" would be generally adopted, and would bring about to a very considerable degree an improvement and uniformity in the style of the Acts. I would not propose to make the adoption of these instructions absolutely compulsory; I would trust to the progress of opinion, to the intrinsic merit and advantage of the suggestions, and to the authority from which they were known to emanate. I think that there would be little necessity for using any compulsory means to bring about their adoption. In extreme cases, I would perhaps authorise some means for the purpose of enforcing them. For instance, in case such a Committee as is suggested in Mr. Coulson's paper, a Public Bills Revision Committee, should exist, it might be within the powers of that Committee, in case any Bill were brought in, which transgressed in any marked manner the principle of these instructions, to call the attention of the Member having charge of the Bill to the fact, and to suggest or require the alteration of the Bill in conformity with the instructions.

195. Sir *FitzRoy Kelly*.] As you observe, this paper to which you have referred, if it were to be considered as a paper of instructions for the preparing of Bills in general, would no doubt be open to very many exceptions and many improvements; but are you not aware that this paper was issued as instructions to draftsmen for the preparing of Consolidation Bills, in which, as we do not consider that we have any authority to alter the law, but are obliged to re-enact it *in iisdem verbis*, or at least in substance, we are obliged to leave a great number of the greatest defects unremedied, which are to be found throughout the whole 40 volumes of the Statute Book?—I was not aware that the paper was issued for that express purpose. The fact is, that in looking over several papers relating to this particular subject, I happened to meet with that paper the other day, and I took it for what it seemed to be, namely, a proposed instruction to draftsmen in general.

196. What I understand you to suggest, in which I for one entirely concur, is, that whenever any officer or Board should be established, if any such should be, as is now contemplated, that Board should issue a paper of instructions by way of suggestions for the preparing of all Bills, and that it would be extremely desirable that all Bills should be prepared in conformity with those instructions. After those instructions shall have been prepared with the greatest care, and by the most competent persons, and after they shall for some little time have stood the test of experience in the actual preparing of Bills, which shall afterwards have passed through Parliament. That probably would be one of the first steps taken by any Board constituted like that which is now suggested, namely, to issue a paper of instructions, and to accompany it by a model Bill, which, after all, would be the very best guide to draftsmen in preparing Bills to be introduced into Parliament. Your suggestions are extremely valuable, and I have no doubt the Committee would be very glad to have any further suggestions which may occur to you as to amendments in the general form of Bills. The paper of instructions to which you have referred has the words, "As the immediate object of the Commission is only to consolidate and not to amend the Law, the draftsman should consider it his duty in the absence of special instructions," and so on?—Yes; the fact is I have not lately read the paper, and I took it for what it seemed to be from the heading. I see it is so. However

ever, it will serve as an example. I merely use it as an illustration of what I think might be done on a larger scale.

197. *Chairman.*] You have before you the Second Report of the Statute Law Commission?—Yes.

198. You remember, I dare say, this passage in it: "The officer or Board," which is suggested, "would be a servant, not a master, as we do not contemplate that such officer or Board should report on the policy or expediency of any proposed measure. The powers of both Houses, and of all the Members of each House, would remain inviolate." Assuming that the officer or Board recommended there, was for the purpose merely of improving the form, and manner and language of current legislation, are you of opinion that an officer or Board of that description would be very useful?—I think an officer or Board would be of considerable use.

199. Would you suggest an officer or a Board?—As far as my opinion goes, I should say an officer with such assistant or assistants as might be found necessary, but I would place the responsibility upon one person.

200. Sir *Fitzroy Kelly.*] You think that however numerous the staff, there should be one supreme head?—I think so.

201. *Chairman.*] The "Counsel for revising Public Bills;" would you designate him somewhat in that way?—Something of that sort.

202. Do you think that it would be advantageous to have the same officer for both Houses?—I think it would.

203. And practicable?—Quite practicable.

204. You would suggest that public Bills should be referred to that officer?—The opinion which I would submit to the Committee is, that all public Bills should be referred to that officer; that they should stand referred by Standing Order as all private Bills are now referred to the Chairman of Ways and Means and myself in this House, and to the Chairman of Committees and his counsel in the other House.

205. I observe that you say "all Bills;" I presume you would include Government Bills?—Yes, Bills brought in by the different departments of the Government; I would not except those Bills; they form, as no doubt the Committee are aware, a very large proportion of the whole Acts of the Session; perhaps not less than four-fifths of the whole, and the remaining Bills are comparatively few; in fact, hardly sufficient, I think, to warrant any great change of system; I think that the Government Bills need supervision as well as the Bills brought in by private Members, and that the system of supervision ought to apply to all.

206. And that the rule should be that all should stand referred to that officer?—I think so.

207. At some stage or other?—Yes. With regard to the stage, my own opinion is, that any scheme which might be adopted would work very much by voluntary arrangement, as is the case with the system of supervising private Bills, in which I am myself concerned; that without the necessity of formal references and formal reports, the system would work to a very great extent by voluntary arrangement, and by voluntary communication between the officer and the parties concerned with the Bills.

208. Sir *Fitzroy Kelly.*] It would probably be so found to be in all that relates to uniformity in the phraseology and the structure, and the order and arrangement of an Act of Parliament?—It would be so; we should find, I think, that that would practically be the operation which the system would take; at the same time, I would have a regular and compulsory machinery; though I think that the system would work itself chiefly by voluntary communication.

209. *Chairman.*] At what stage, in your opinion, should the Bill be taken up for revision by this officer?—I think after the second reading; to take it up before the second reading would often be superfluous, as the Bill might be lost. To take it up later than the second reading, after the Bill has passed through Committee, would be too late in point of time, because I think that the officer, if he were not to make himself acquainted with the provisions and the subject matter of the Bill till the Bill had passed through the Committee, would find himself perfectly overwhelmed with work at the end of the Session; scarcely

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any staff that could be conceived would be able to grapple with the Bills if he delayed to enter upon them till they had passed through Committee: therefore, I think the proper stage is when the Bill has passed the second reading.

210. Does it occur to you that there are any means of assisting the revising officer, which might be adopted with advantage?—Yes. One suggestion which I would make is this, that he should be enabled to command the benefit of the information and materials which have been already acquired by the draftsman of the Bill, which I would propose to do in this way—that whenever a public Bill is presented, there should be presented with it a statement signed by the draftsman of the Bill, when the Bill was prepared by a professional man, and when it was not prepared by a professional man, by the Member bringing in the Bill, describing the general objects and purport of the Bill, stating the operation of the Bill as proposed upon existing law, and specifying the existing Acts which were proposed to be affected by the Bill, to be repealed or to be partially repealed. By that means, I would place the revising officer in communication with the draftsman who prepared the Bill; and I think that would place at his command the materials and the information which the draftsman had acquired in the preparation of the Bill. I think that that would be a material assistance to the revising officer.

211. Sir *Fitzroy Kelly.*] Would not, in your judgment, the principal and the most difficult duty imposed upon this officer be, the ascertaining of the effect of the proposed Bill upon the existing statute law and common law on the subject?—I think that would be a very important part of his duty in examining the Bill.

212. Would it not therefore require a person of a very high order of knowledge and general qualifications in law to fill this office?—No doubt, the greater his ability and his knowledge, the better the office would be discharged.

213. Have you ever yourself actually prepared a Consolidation Bill of the law upon any subject?—Yes, several.

214. Have you not found the difficulties very great when you come to consider the effect of one statute upon another, which perhaps has been passed without immediate reference to that other?—Yes; that, no doubt, is one of the greatest difficulties in preparing such Bills.

215. Mr. *William Ewart.*] Would not the communication which you propose between the draftsman of the Bill (who probably would be chosen from his special knowledge of the subject on which legislation was intended) and the revising officer tend very much to open the question of the change in the law, and the particular points of law which were raised in the Bill?—Yes; that is one of the points of view in which I have made this suggestion.

216. Therefore if the Revising Barrister could not have that universal knowladge of law which might be desired, still his deficiencies would be supplied by communication with the draftsman of the Bill?—Exactly.

217. Who, if he was a conveyancer, would understand conveyancing law; if a special pleader, special pleading law, and so on?—Yes. I think the revising officer would be placed to a great extent on the vantage ground which the draftsman had already acquired by his researches.

218. *Chairman.*] Between the two, great light would be acquired, though perhaps not perfect light?—Yes. As to getting perfect security against errors and oversights, I look upon it as hopeless; but I think that a deal might be done; and that a considerable per-centage of the errors which now occur in legislation might be avoided. I do not go beyond that.

219. Mr. *William Ewart.*] And you would have the advantage of greater responsibility in one individual than you would have in the proposition which has been made of a Board?—Yes; I think so.

220. *Chairman.*] Have you considered the suggestion of having a Standing Committee to be appointed in each House, by means of whom the officer appointed might communicate with the House?—Yes, I have considered that, and I have read Mr. Coulson and Mr. Ker's Paper upon the subject, and it seems to me to be a good suggestion that there should be such a Committee as a medium of communication with the House; that the officer should act as the assistant and instrument of that Committee, and that the Committee should act

act as the channel of communication between that officer and the House. I think such a Committee would be very serviceable.

221. Called the "Public Bills Revision Committee," or some title of that kind?—Yes, some title of that kind.

222. How would you suggest that such a Committee should be composed?—I think the Committee should be composed of some of the most experienced Members of the House; I would not have the Committee too numerous, because I think that such questions as would be brought before the Committee, questions of the effect of particular language in a clause are not so well discussed among a numerous body as among a small and well-selected body; therefore I should say that six or eight Members would be sufficient.

223. Mr. *William Ewart.*] Do you not think that five would be better?—Except for the difficulty of getting a quorum, I should say it would.

224. I assume that they should be appointed on the understanding that they should only be called together on subjects of vital importance to future legislation, and that they should attend?—If any means could be taken of securing attendance, I should prefer five; but I suggest a larger number to secure a sufficient attendance.

225. Is it not more likely that a small number would attend than a large one, as a large one always reckons upon the attendance of some Members of the Committee, whereas they may not be there?—I am scarcely competent to give an opinion upon that point; it depends upon the habit of Committees.

226. *Chairman.*] What further suggestion have you to make with a view to the advantageous working of the proposed plan?—The mode in which it has occurred to me that the scheme should work would be something of this kind: after the second reading of a Bill, the revising officer would take up the Bill; in fact, leaving him to divide his own time, and arrange his work according to the mode which he found most convenient, I have no doubt the revising officer would sometimes take up the Bill before it is read a second time, assuming the second reading in certain cases to be pretty sure; he would take it up as soon as he could get hold of the Bill, as I do myself with regard to many of the Private Bills as soon as they are printed; however, at latest, he should take it up after the second reading. If there then appeared to him to be any errors in the Bill requiring his interference, he should represent the matter to the Committee; the Chairman, or a Member of the Committee, should then communicate with the Member in charge of the Bill, and represent to him the supposed error, or inconsistency in the Bill. In that case, the Bill might be amended before its next stage. Again, after the Bill had passed through Committee, the revising officer should examine it, and if he found anything, either in the Bill itself or in the amendments made in it, which required correction, he should represent to the Committee the errors which appeared to him to exist, and suggest such amendments as he thought necessary. The Committee should exercise their judgment upon those suggestions, and should then report to The House that such and such amendments were necessary to be adopted. Those amendments The House might adopt without the re-committal of the Bill upon the authority of the Committee. But if it were a matter of great importance, or if the points appeared to The House to be questionable, or to involve any matter of substance or of important principle, The House would still retain the power of re-committing the Bill for the purpose of making those alterations. But as a general rule, the recommendation of the Committee would be sufficient to dispense with the re-committal of the Bill.

227. Sir *FitzRoy Kelly.*] Have you at all considered the probable time and labour in each Session which must be devoted to any such task as this, either by the legislative officer or Board, or by the Committee, if you, to each, or indeed any one of them, assign the task of considering every Bill that is brought before Parliament, with a view to rendering it uniform as to language and arrangement, and with a view also to reporting upon its effect on the existing statute law and the common law?—Any estimate of the amount of labour must of course be, until the experiment is tried, to a great extent, conjectural, and I should not like to commit myself to any positive opinion upon that point; but I do not conceive that it would be beyond the powers of a single officer, with, I should say, one competent assistant, to perform.

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228. I should be very glad, if the Committee should request your attendance at any future meeting, that you would be good enough, in the meantime, to direct your attention to that particular question, to look to the number and description of Bills coming before Parliament in any one Session. Take those of last Session, for example, as well as you can, looking to the Acts of Parliament which actually passed, and to the records, in Hansard or elsewhere, of the Bills which were actually brought in and discussed, and then, looking a little in detail to the subject, and to the nature of the difficulties with regard to the existing law, endeavour to come to some conclusion, in your own mind, by which you can assist the Committee (and I am sure no one's assistance would be more valuable than your own), as to the probable time which would be devoted to such a task by either an officer or a Board?—I have myself the duty of examining all the Private Bills; they exceed in number the Public Bills.

229. But with regard to them, there is not so much the question of their effect upon existing law. For example, just consider, as a specimen, if such a Bill were to come before either a Board or officer as is now proposed to be brought in, or at least is very much urged upon the attention of the Government, to amend the Joint Stock Company's Winding-up Act, and suppose that officer or Board had to consider the effect of any such Bill in all its provisions upon the bankrupt laws in general, particularly the bankrupt laws as affecting joint stock companies, and then as affecting the different discriptions of joint stock companies, as to which, as you know, the statute law and the common law both differ; banking companies, insurance companies, and other joint stock companies; just consider the duties which would be imposed upon the officer who had to consider the effect of that Bill upon these bankrupt laws, and upon the joint stock company laws in general; how far, unintentionally, one clause of the proposed Bill might repeal half a score of clauses in the General Bankrupt Act, and what, in fact, was to be its effect upon the whole law; and consider that that is the description of question. It is by no means an unusual occurrence, though that happens to be the most important point which has arisen of late years to find in the discussion of a legal question these difficulties arising from the want of attention in the framers of Bills and the Committees of both Houses who have had to consider those Bills, as to the effect of the enactments in those Bills in the new law, or the alterations of the law effected by those Bills, upon the existing Statute law on points to which their attention has not been called, and which never occurred to their minds at all; you will then see that every now and then, and perhaps with most of the great public Bills which come before Parliament, there would be difficulties of a very serious degree of magnitude, and of a very serious description; it is with that view that I, for one, should be very glad if you would direct your attention to it, with a view to the question of time, and therefore the nature, in number and description, of the staff necessary to assist the legislative officer who would have to report upon those Bills?—I should be very glad to give the Committee any assistance in my power in coming to a conclusion on that point.

230. Mr. *Hughes.*] Do you think that the time and labour of this supposed Committee to co-operate with the legislative officer could be diminished by adopting the following course: that after the suggestions had been issued by the Committee, or by the legislative officer, as to the form of Bills, the legislative officer should be required to certify that the Bill was in conformity substantially with these suggestions; that would be his first and only duty; he would neither consider the expediency nor the effect of the proposed Bill, but would grant a simple certificate of substantial conformity with the suggestions; upon that certificate, the Bill would proceed to its second reading, and the principle being affirmed upon the second reading, the legislative officer's duty would be then irrespectively of the Committee to consider the frame of the Bill, its general operation with regard to the Statute or the Common Law, and its general effect, and, if necessary, to leave it discretionary with the legislative officer to bring to his aid the services and opinions of the Committee, giving him at that stage a discretion to relieve the Committee from the labour which would otherwise be cast upon them, or to call them to his aid for the consideration of matters of doubt and difficulty. Then the Bill would be committed in the House, and, after the amendments had been introduced into it, would then

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go again to the legislstive officer, with the amendments introduced; and then again he would have the same opportunity of bringing to his aid the assistance and experience and knowledge of the Committee, so that, although the Committee would be in existence to co-operate when necessary with the legislative officer, they would be relieved from the labour, and attendance, and time in attending frequently, leaving it to the discretion of the legislative officer to call these gentlemen to his aid in matters of difficulty and doubt, thus securing the co-operation, when necessary, of the Committee with the legislative officer, but relieving them in point of attendance and labour, where it could be possible to relieve them. Has that occurred to you as a mode of working out the suggestions in point of time?—I should explain that I do not contemplate the Committee being obliged to devote a very great portion of time or labour to the work. My view is, that the great burthen of the duty should fall upon the revising officer and his assistants. I rather look for advantage to the appointment of the Committee as a protection, and as affording some strength and authority to the revising officer. I fear that if you do not interpose some authority between the revising officer and the House of Commons, the authority of the revising officer will not be sufficient to bring about a compliance with his requisitions; and it is for the purpose of strengthening the hands of the revising officer that I should chiefly contemplate the appointment of the Committee. But I think that the labour of investigating, and examining, and forming an opinion upon the merits of the Bills, should be placed upon the revising officer, and not upon the Committee; that his recommendations should be communicated to the Committee; that the benefit of the judgment of the Committee should be given upon his suggestions; but I do not contemplate that the labour of revising would be shared by the Committee to any great extent. I think the chief part of the labour and the responsibility ought to fall upon the proposed officer. I do not therefore contemplate that a great portion of time or duty would be required from the Committee, except towards the end of the Session, when of course their labours would be heavier.

231. My object in asking the question in that form was this: that, concurring, to a certain extent, in the propriety of having a Committee to give weight and authority to the opinions of the legislative officer, and seeing the difficulty of securing the services of any effective Committee for any prolonged purpose, through the Session of Parliament particularly, I wished to know whether you could suggest a division of the labour in such a way as would secure the two objects, namely, a good Committee, and yet not interfering unfairly with the ordinary application of their time?—What I contemplate is, that there should be a free communication between the revising officer and draftsman, and the Members in charge of the Bill.

232. *Chairman.*] Would one of your suggestions be, that the Member in charge of the Bill should be by Standing Order a Member of the Committee *pro hac vice*?—Yes, I should propose that he should be so. I think that by those communications, in the first place, the assistance of the draftsman would greatly lighten the labours of the revising officer, and then the revising officer would have opportunities of communicating with the Member in charge of the Bill. Supposing the revising officer to be a person of such qualifications as I contemplate he would possess, I anticipate that Members would readily listen to the suggestions of the revising officer; in fact, that they would gladly have recourse to him for assistance and advice; and I think, without calling into aid the operation of the Committee, that, in a great many cases, the object of the revision might be attained by communications between the revising officer and the Member in charge of the Bill, without troubling the Committee at all.

233. Mr. *William Ewart.*] Do you not discharge your duties without the intervention of a Committee in the matter of Private Bills?—Yes; I make my suggestions to the Parliamentary agent, and require him to alter the Bill.

234. Do you not think that, in the case of Public Bills, a Committee might be an incumbrance, instead of an aid?—For the reason which I have stated, I think the hands of the revising officer ought to be strengthened, and that if they were not so strengthened in some way or other, his authority would not have sufficient weight to compel the correction of the Bills.

235. Do you not think that his best strength would consist in the recognised

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utility of his office and duties?—I suppose such a case as this: that there is some Bill which has passed through Committee, on which there has been a great conflict of opinion, and perhaps of parties, and that this Bill has undergone amendments; that the revising officer finds that one of these amendments is inadmissible; that it is impracticable in point of law, or at variance with other parts of the Bill; this amendment, perhaps, may have been much contested; there may have been a close division upon it; the revising officer objects to this form of amendment; he reports to the House that the amendment is objectionable; I can conceive that the Member in charge of the Bill, and those who supported him, might question the decision of the revising officer. Honourable and learned Members in the House might think that the revising officer was wrong, and I am afraid that the authority of the revising officer would be too weak to stand against such difficulties.

236. Would not points which might be disputed be very much contested in the Committee, and might not the whole battle have to be fought over again in the House, which had previously been fought in the Committee?—I think The House would be more inclined to defer to the report of its own Statute Revision Committee than it would be to the authority of a salaried officer.

237. Have you ever attended a Committee to which a private Bill has been referred?—I have.

238. Have you not found almost as much vehemence of contradiction among them as in the House of Commons itself. Do not the Committees sometimes last a very long time, so that it has become almost a phrase in Parliament, that sending a Bill to a Committee up-stairs is very often equal to the rejection of the Bill?—But the amendments which I contemplate would almost universally be either amendments of machinery or amendments intended to get rid of legal difficulties in the Bill; not amendments in principle, nor amendments in substance.

239. Sir *FitzRoy Kelly*.] Do you not think that it is a misapprehension altogether of the functions of this revising officer to talk of his objecting to clauses in the Bill at all; would it not rather be his duty to point out that the clause in the form in which it is proposed would have such and such an effect, and then to submit to the whole House and to Parliament whether that effect ought to be produced? As to the policy of any particular enactments, whether it would introduce a new law, or effect a change in the law, that is for The House to consider. What the revising officer would have to do would be to point out distinctly that the meaning and the legal effect of such a clause, if it stood in its present form, would be to repeal this or that, which is now law; and merely to submit to The House whether they mean to do that. Take the case of the British Bank: the revising officer would say, "The effect of the Winding-up Acts, as now framed, will be, in fact, to enable the Court of Bankruptcy to dispose of the effects of a bankrupt company, and at the same time to enable the Court of Chancery to dispose of those effects. Do you mean to approve of those two different jurisdictions? If you do, then leave the clauses as they are; if you do not, then strike them out." But upon the question of whether they should be struck out or not, the revising officer would not pretend, I should imagine, to have a voice. You do not pretend that?—Certainly not. In such a case as that supposed, I contemplate that the revising officer, having brought the matter before the Committee, and the Committee having discussed it, and foreseeing what the operation of the clause as it stood would be, the Committee would report to the House their opinion.

Martis, 3° die Martii, 1857.

MEMBERS PRESENT.

Mr. Baines.	Mr. Henley.
Mr. Evelyn Denison.	Mr. Hughes.
Mr. Dunlop.	Sir FitzRoy Kelly.
Mr. William Ewart.	Mr. Locke King.
Sir James Graham.	Mr. Walpole.
Sir William Heathcote.	

THE RIGHT HON. MATTHEW TALBOT BAINES, IN THE CHAIR.

Henry Bellenden Ker, Esq., called in; and Examined.

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240. *Chairman.*] YOU are a Barrister-at-Law, and have had great experience, I believe, in the preparation of Bills for Parliament?—Not great experience; I have prepared several, but of late rarely.

241. You are a Member of the Statute Law Commission?—I am.

242. Did you, in conjunction with Mr. Coulson, draw up, for the use of the Lord Chancellor, the Minute which has been printed as a paper for this Committee?—I did.

243. Are the opinions which you have formed with regard to the subject referred to this Committee expressed in that paper?—Yes, they are, mainly.

244. Are there any points upon which you wish to add anything?—No; I have not seen the paper recently; but I prepared it in conjunction with Mr. Coulson.

245. Sir *FitzRoy Kelly.*] How long have you been a member of the Statute Law Commission?—I have been a member of the Statute Law Commission since its institution.

246. When was the institution of the first Statute Law Commission?—I do not recollect the year; 1853 I think.

247. Upon the expiration of the first Commission, another was appointed?—Shortly after; about six months, I think.

248. Has that continued with some additions to its members to the present period?—You must allow me to explain. The first was not a commission; the Chancellor desired to make an experiment, to see if anything could be done, and he appointed four gentlemen at 600 *l.* each, and myself at 1,000 *l.* for one year, to consider the subject, to prepare specimens, and to give our opinions as to what would be the best mode of undertaking this great work. That was distinctly confined to one year; and although we called it the Statute Law Board, or the Statute Law Commission, there was, in fact, no commission issued; it was nothing but a letter from the Lord Chancellor to each of these gentlemen, he having communicated with the Treasury.

249. Is it about three years ago that the Statute Law Commission, strictly so called, came into existence?—Yes.

250. It has continued down to the present time?—Yes.

251. And you have been a member of that Commission from the beginning?—I have been the only paid member, taking the detail of the work of the Statute Law Commission; the other members are unpaid.

252. Has your attention been directed, in the course of the proceedings of the Statute Law Commission, to the preparation of Bills and to the consolidation of the statute law?—Yes; that is the main object of the Commission.

253. During the last year, have several Bills been prepared, and are others in preparation, with a view to the general consolidation of the Statutes upon principles adopted within that time?—Yes; several. The whole branch of Statute Real Property Law has been consolidated in several Bills which have been prepared, which Mr. Greaves, one of the members of the Commission, has revised.

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I and Mr. Brickdale, the Secretary, are now revising them, and they will be soon prepared for Vice-Chancellor Page Wood and Mr. Walpole.

254. Has your experience, as a member of the Statute Law Commission, likewise directed your attention to the question of some improvement in the mode and practice of legislation; that is, of preparing Bills, and of revising and considering them in their progress through Parliament?—Yes. The Second Report of the Statute Law Commission, which I believe is the one referred to this Committee, was originally a plan of Mr. Walpole's, and was adopted by the Board. Mr. Walpole, and many other of the members, feeling that it was of great importance to improve the course of legislation, and especially to adapt it so as to be incorporated in the Bills which we were then consolidating, of the past law.

255. Looking to the form of Consolidation Bills, and the general object in view in the consolidation of the Statute Law, have you directed your attention to any specific plan for the revising and adapting of future legislation to the Consolidated Statute Law?—That paper which is before the Committee, which was prepared by Mr. Coulson and myself, has special reference to that matter.

256. Does it appear to you that the duty of revising, and considering the form and effect of Bills introduced into either House of Parliament, should be entrusted to an officer or to a Board, or to an officer with a Board or Staff under him, and to assist him?—I think that no effectual revision could be ensured upon the scheme that Mr. Coulson and myself have propounded, without the appointment of such an officer or Board. As to my own private opinion, I consider that one officer, with a staff, would be far more efficient than a Board.

257. Do you contemplate within the plan to which you have adverted, that there should be a Standing Committee of either House of Parliament through whom Bills, when introduced into either House, are to be referred to this officer?—It struck me in considering the plan, that such a Committee as affording means of enabling the officer to communicate to the House, otherwise than by a mere written report, would be a great advantage. I take it that in the private legislation of both Houses, great advantage is found from Lord Redesdale's Committee, and from Mr. Fitzroy's Committee, assisted as they are by gentlemen of great legal eminence and learning. I think that it is hardly possible to contemplate the perfection at which private legislation has arrived without being convinced that it has arisen from the vigilance, care, and skill with which the matters relating to private legislation have been superintended by Lord Redesdale, and by Lord Shaftesbury before him, assisted by Mr. Palk, and also by the gentlemen in the House of Commons. Of course the duty of an officer revising Public Bills, would be more difficult than the duty of an officer employed only with reference to Private Bills, but still it would be in some respects of the same nature.

258. Have you considered at what stage it would be expedient to refer Bills introduced into Parliament to this office?—I have considered all these points and difficulties relating to the project, but I cannot help thinking that if any officer were appointed, and if there were a Committee, or a person like Lord Redesdale, they would find out the best time for doing everything. I contemplate practically that the officer would very often, or in most cases, see the Bill before it was introduced, or probably be brought into communication with the gentleman having charge of the Bill. I have some experience in that matter. I recollect that last year, with regard to two, if not three, of the Government Bills which were coming in, the Lord Chancellor desired that I would consider the subject, before Parliament met. I make especial reference to the Limited Liability Bill, and there were certain objections suggested by me to the Lord Chancellor, some of which his Lordship adopted, and he saw Lord Stanley, and Mr. Lowe, and the gentleman who prepared the Bill, and I believe this tended much to getting the measure into a comparative state of perfection.

259. As you allude to a Bill of a Session or two ago, allow me to ask you whether you act as adviser or assistant to the Lord Chancellor in relation to Bills?—The Lord Chancellor upon my appointment said, that he wished that the person who was the paid member of the Statute Law Board should assist him in considering the Bills as they came up to the House of Lords, considering this as connected with the Statute Law Board, and, occasionally, I, by his desire, have considered Bills before they have been brought in, and also have considered

sidered Bills while they were in the House of Commons, and reported to him upon them, or communicated with him.

260. Those duties are performed then by you, as the Lord Chancellor or occasion may require, for the salary of 1,000 *l.* a year, to which you have alluded?—I think I may say that I have been at the Lord Chancellor's often early, three or four times a week, during the whole time I have been so employed, except during the vacation, on the subject of Bills or of the Commission.

261. Do you perform those duties as well as any that may be connected with the Statute Law Commission for that salary, or have you any additional or other salary?—I have no additional salary.

262. Has your experience as adviser and assistant to the Lord Chancellor in relation to Bills in general, directed your attention to the difficulties which arise in the preparation of Bills?—Yes. I am sure the difficulty cannot have been shown more than in the three Bills which the Lord Chancellor is introducing, and has introduced into the House of Lords at present, and which have been prepared by Mr. Coulson.

263. Among other difficulties, do you find that a prominent one, is the determining the effect of clauses in Bills upon the existing Statute Law?—Of course one cannot see a great number of Bills introduced, without being aware that either from accident or from ignorance in the preparer, they conflict with the existing law.

264. Then would it be one of the functions or duties of the officer to whom you are alluding, to consider and to report upon the effect of any Bill brought into Parliament, and each of the clauses of that Bill upon the existing Statute Law?—Certainly that would be most important. The Committee have asked me whether I have been in the habit of preparing Bills. I remember preparing two Bills for the late Lord Cottenham with reference to dividing the office of Chancellor, and of course I prepared them with as much care as I could; but I afterwards discovered that there were eight or nine statutes which I had not referred to, which were not in any index relating to the statutes.

265. Mr. *Henley.*] And you overlooked nine statutes?—There was no perfect index, and I do not think there is now any perfect index, except that admirable one of the House of Lords, from 1800 to 1852; but I was particularly struck at finding that there were at least eight or nine statutes which I had no trace of; it did not signify as the Bills did not pass.

266. Sir *FitzRoy Kelly.*] Is there an index of that kind, which if accurately and well made will supply that defect, now in the course of preparation?—I think that the materials which the Statute Law Commission are now obtaining, will enable us to make a most perfect index.

267. There is an index preparing, and more than an index, of all the statutes, by Mr. Wood and others?—Yes.

268. Have you considered at all the qualifications which would be requisite for an officer of this description?—I think that it is difficult to say what would be the qualifications; but if you were to ask me what is the type, in my mind of such a person, it is Mr. Coulson, from his experience, especially in preparing Bills for the last ten years, and also from his general knowledge of the law.

269. It would require a person who had a very extensive and accurate knowledge of the Statute Law, and who was accustomed to preparing Bills?—Certainly.

270. And it would be his province to point out the effect of every clause of every Bill introduced into Parliament upon the existing Statute Law, or any portion of it?—Yes.

271. And then the report to either House, so that the House would be in a condition to determine whether the alteration or addition to the law should be made or not?—That would be one of his duties, but he would probably also report upon whether the other parts of the law were well expressed.

272. Would one of the objects in view be the establishing of one uniform phraseology?—Of course.

273. And one uniform arrangement in point of form in the statutes?—Yes; and in some mode or other, to be determined upon, carrying out some general enactments very much like the Lands Clauses and the Companies Clauses Acts, which would be a continuous subject of reference.

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274. Do you think that in process of time, when these forms and this phraseology should be uniformly adopted, legislation would become much more easy, simple, and concise?—I do. I could mention one great source of difficulty that there is at present in the introduction of Acts of Parliament, which is, the disinclination of any department, or of any individual, to consolidate the existing law, and consequently the Statute Book is filled with short Acts, pulling small pieces of clauses out of other Acts of Parliament. I am satisfied that I speak in the presence of one Member of the Committee who is aware of the difficulties under the Church Acts. I am quite sure that if, in the case of the Church Acts, a new Act had always been passed embodying the prior enactments, none of those difficulties would have arisen. But as far as my experience goes, you could neither get Sir George Grey nor the Colonial Secretary of the day, nor any other department, to bring in a Bill in which those things would be consolidated. They would say, "We must not do that, because it would open discussion on all the old clauses," and that is the reason why the Church Acts have never been consolidated—the whole thing would have been re-debated. I know that a Bill is either prepared or preparing to alter the Limited Liability Act of last Session, and I suggested that we ought to begin and re-enact the Limited Liability Act with the improvement, but it was felt that this would open the discussion on the general measure. Therefore, until you can induce Parliament either to insist that that shall be done, or to agree that questions shall not be opened, except as to amendments, you will always have your statute book poisoned with these conflicting and imperfect laws.

275. But in your judgment, will those evils be remedied when a consolidation of the existing statute law upon the present plan shall have been effected, and future legislation adapted to that consolidation?—To a great extent they will. I take it, that upon any counsel having to advise on the Burials Acts, upon which I have often had to advise, the Health of Towns' Acts, or any of those Municipal Corporations Acts, which are altered in one Session and then in another, and seeing how the sections conflict, no human being can advise upon them with any certainty, and one can scarcely tell what is the state of the law.

276. But if the Acts were consolidated, would not those difficulties disappear?—Yes, if done correctly.

277. Have you considered what numbers would be, in your opinion, sufficient to assist an officer competent in point of learning, experience, and other qualifications to revise our legislation?—I think Mr. Coulson is much better enabled to judge of that than myself. I should begin with a small staff, and wait for the exigencies as they arose.

278. You would add to that staff as occasion might require?—Yes. It must be tentative for a Session or two at least before The House will feel whether they can work conveniently with the officer, and before the officer himself will feel his place, and know what he can best do to assist a body of upwards of 600 legislators in coming to a conclusion upon subtle and nice points of law.

279. I take it for granted it is not contemplated in any way whatever to dictate to or control either House of Parliament even in the forms of a Bill?—No.

280. But only to suggest for the consideration of either House what may appear to be expedient in the preparation of Bills?—Yes. It was to avoid the possibility of the semblance of dictation that I very strongly recommended that there should be some Committee like what I call Lord Redesdale's Committee, or Mr. Fitzroy's Committee, because possibly the Committee would not agree with the officer, or might wish to have the statement of the officer put in another form, less dictatorial or less positive.

281. Then do you think, on the whole, that the details of this scheme being carefully considered, it is in itself practicable, and may be made a means of great improvement in the form and system of our legislation?—That you should have a Bill revised by a man who understands it possibly better than those who drew it, and generally conversant as a Parliamentary draftsman, of course must lead to the improvement of legislation. A good deal will depend upon how far The House assists him, both as regards consolidation and as regards rejecting small Bills, amending four or five Acts of Parliament one after another.

282. Mr. *Henley*.] You have stated that the staff should be small at first; will you be kind enough to inform the Committee what kind of persons the staff is to be composed of?—The staff should be composed of well informed young lawyers, I conceive. I take as an example one gentleman who is a conveyancer,

conveyancer, and who I know has assisted Mr. Coulson for some five or six years. That gentleman is employed now by the Statute Law Commission in a very onerous and a very delicate operation of making a sort of index, or resumé of the statutes. I mean such a man as that; and of course one or two clerks, merely to copy, or one or two persons in the situation of 150 *l.* a year, whom you could trust.

283. Merely for the mechanical part of writing?—Yes.

284. Then what is the dexterous young lawyer's business to be towards the chief officer?—It is very difficult precisely to define it, except that, assuming (which God forbid) that I held the office, I should feel that I could not conduct it well unless I had one or two persons to whom I could delegate certain portions of work. I should say, "Look through certain statutes, and tell me their effect; I have not time to do it all myself, &c." It is bad political econony to take your best man to do the labour of detail.

285. You yourself have just told us, you, not being at present a young lawyer, but at the same time a dexterous lawyer, that in some Bill in which you were concerned with the Lord Chancellor, you overlooked nine statutes?—That was many years ago.

286. You were both young and dexterous then?—No; I meant principally to show that there was a bad index, or no index, at that time, and that you had not the means of really getting a brief statement of what the existing law upon any subject was; and that may happen now very often.

287. A young dexterous lawyer bringing these matters, as you say, to the notice of the chief, of course it is very proper that the chief should be relieved from this mere mechanical work of looking through these matters to find out what exists; is the staff to do anything else besides that?—The young lawyer, as you may call him, the second commissioner, or the second officer, is to assist the chief in doing whatever he wants done; and if you take my experience, especially upon the Statute Law Commission, I should say that Mr. Brickdale, who is the secretary of the Statute Law Commission, is of very considerable use to me in hunting up points, in suggesting points, and assisting me in making any reports which I have to make to the Lord Chancellor, or assisting me in the reports which are laid before the Statute Law Board.

288. That is to say, he would do in a measure, I suppose, what a junior counsel would do for a senior in a case?—Not being myself a counsel in court, I do not know very much what the junior does, nor what the senior does; but I have experience in the other respect, and I consider it important that there should be one or two subordinates; Mr. Coulson finds it so, I believe, in his present work.

289. You stated that you yourself were engaged for a considerable time at early hours in the morning in assisting, with your advice, the Lord Chancellor?—Not with my advice; merely in calling his attention to Bills, or the matters relating to the Commission.

290. You stated that you were so engaged in making suggestions to the Lord Chancellor in introducing the Limited Liability Bill of last year?—Yes; I took that merely as an instance which came across my mind.

291. The result of those suggestions was, that interviews you believe were held between the Lord Chancellor and Lord Stanley, and Mr. Lowe, and that a more perfect measure was produced to Parliament than otherwise would have been done?—I think that there were certain provisions which the Lord Chancellor thought objectionable upon consideration which they did not press, and I think that generally the measure was improved by the suggestions of the Lord Chancellor.

292. Was your consideration of that measure of such a nature that we might at all consider it analogous to that which the officer here suggested would give to a Bill?—Yes, very much.

293. The result of that being that there is a necessity for another Bill this year?—I should tell you that those were only the heads of the measure two or three months before the Session began. It was on a plan that had nothing to do with the details of the Bill. The Bill was brought up to the House of Lords, I believe, quite at the end of the Session, and I do not think that the Lord Chancellor had time, or that even I had time as his assistant, to look into the details when the Bill had passed the Commons.

294. You have suggested that by way of strengthening the hands of the

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officer, you thought it a good thing that a Committee should be appointed, who possibly might not agree with the officer?—Yes.

295. Does it occur to you that, supposing the Committee disagreed with the officer, it is possible that the House might disagree both with the Committee and with the officer?—If you insist upon having a detailed opinion upon an undefined scheme, it is very possible that the Committee might not in some cases agree with the officer, and might determine not to report the officer's suggestions to the House.

296. I understood your statement as regards the Limited Liability Bill, to be that you had considered the substance of that Bill?—Merely the heads.

297. It then got into the House of Commons and into the House of Lords, under the careful preparation of the Board of Trade and of the Lord Chancellor?—No; the Lord Chancellor had nothing at all to do with the preparation of it. The Lord Chancellor, I believe, never saw the Bill till it came up to the House of Lords.

298. Then it got so cut about that you hardly recognised your own child afterwards?—It never was any child of mine.

299. You discarded it?—Not at all. It was prepared by a gentleman of very considerable power and of very considerable ingenuity, and it was a very difficult subject; at the same time it was a subject upon which I consider myself to be in some degree well informed, for I made the original Report as to the limited liability to the Board of Trade many years ago, to Mr. Poulett Thomson.

300. I understand that the effect in your mind of this scheme would be that this officer should be able to report to the House not only as to the language of the Bill, but also as to its substance, and its agreement or conflict with the existing Statute Law upon the subject?—Yes; and with the Common Law.

301. You add that?—Of course.

302. You only named, I think, before Statute Law. There are subjects coming before the Legislature, certainly, of several classes; real property, criminal law, and commercial law. Do you think it would be very easy to get a man so conversant with the law of real property, so conversant with the criminal law, and so conversant with the commercial law, that the House would trust to that gentleman's recommendation, and would consider that he was right in the bearing of any particular measure upon the whole statute law on that subject and the whole common law?—I think, that assuming you have got such a man (I always take Mr. Coulson as the type in my mind), Mr. Coulson would, upon all those subjects, be of very considerable assistance to the House; that is my opinion. Mr. Coulson, perhaps, upon some detail of the criminal law, might not be so well informed as some gentlemen entirely conversant with it, but he would resort either to the proposer of the Bill or to some other person, from whom he could acquire any particular information which might be necessary.

303. Then you would think that this officer, not being himself conversant with all branches of the law, might get assistance superior to that which The House would otherwise have?—I can conceive this case; I will assume that the Attorney-general brings in a Bill upon a very difficult subject, as making breaches of trust criminal, and I can conceive that, being referred to this officer, upon which he might himself feel that he was not so conversant with the law as some others,—I think that he would then apply to the Committee for leave, if he thought fit, to lay that Bill before some gentleman of great eminence and to have his assistance. It has always struck me as being a very good plan, rather than having a Board of four or five people conversant with different branches of the law, that that officer should have the means, if he required it, from the Committee, of gaining extra assistance upon any special difficult branch of the law.

304. Having got this officer developed, if I may use such a phrase, do not you think that when you once gave him the opportunity of shifting the responsibility from his own shoulders, it would very quickly grow up into an invariable custom, and that he would take counsel's opinion upon every question which arose?—He would be governed entirely by the Committee, with whom he was in communication; I assume that he would not take upon himself to get that foreign assistance, except with their consent.

305. Having the Committee established, what would be the position of the Committee? I do not suppose we could secure the assistance of the most eminent learned Members of our House?—Pay them if you cannot obtain it without; you do pay Lord Redesdale and you do pay Mr. Fitzroy.

306. Then

306. Then you would pay a Committee?—I would pay a Lord Redesdale or a Mr. Fitzroy, if I found that I could not otherwise obtain the best assistance which The House could afford; it is the cheapest thing you can do.

307. Lord Resdesdale interferes with the private business of the House of Lords?—Yes, he superintends it.

308. Lord Redesdale's principal duty is to see that those Bills do not interfere with any known and recognised principles of private legislation; is not that so?—To a certain extent it is; I am not very conversant with all his duties, but I know that he is chairman upon Private Bills, and that he is assisted by a very dexterous and a very learned counsel, and that great advantage arises from his superintendence.

309. You state the duties of Lord Redesdale, as an illustration of what this new officer is to do?—Not of what the new officer is to do, but of what the Committee is to do.

310. Then, there is to be an officer and a paid Committee above him?—I am afraid I do not make myself understood; I assume that it would conduce to the well-working of an officer appointed to revise the Bills; that instead of merely communicating by written report to the House, he should be in communication with what I will call a legislative Committee of the House of Commons and of the House of Lords, and should report his views to them, and to a certain extent should take his directions from them, and that that Committee should be in communication with the House; of course, there being no precise example of this existing, I took the two best examples I could, namely, Standing Committees of the House of Lords and of the House of Commons with regard to private legislation; there is a Chairman to each of those Committees who is paid. You suggest to me that you might have some difficulty in finding a very eminent man to be Chairman of that Committee; I say that it strikes me, as a very humble person giving my opinion, that it would be quite worth the while of the House of Commons and the House of Lords, to imitate that example of having a paid Chairman in both Houses; but it is not far me to give any positive opinion of that kind.

311. I am merely wanting to elicit how the scheme, in your mind, would work. The paid Chairman in the House of Commons, and I suppose also in the House of Lords, has to look not only to the provisions of all Bills, but he has specially to deal with unopposed Bills?—Yes,—I think all that would be much better explained to you by Mr. Rickards than by me.

312. It is very necessary that we should come to a clear understanding upon that point. This Committee, being paid or unpaid, the officer who is to be appointed reports to them, "Here is a matter of criminal law; I have been trained as an equity lawyer, and do not feel myself competent to deal with this subject; I wish counsel's opinion;" that, I think, you suggest?—I think that those cases would be very rare indeed.

313. Do you propose that this officer shall give any report upon the policy of the Bill?—Certainly not. I propose that he shall report on the Bill as far as it carries out what he understands to be its object, and as far as it conflicts with or in anywise alters any existing law, statute or common, but that he shall be specially restrained from interfering with the policy of the measure. I will take the example of the *commandite* Bill of last year. His duty would be to see that it was a complete Bill, carrying out the objects proposed to be attained by that Bill, but not to make any report upon limited liability, or the expediency of limited liability; that never comes within his province; the House of Commons or the House of Lords judges of that. You only want to see that your written law carries out in plain terms that which the introducer of the Bill wishes to have done.

314. Directly you come to such a question as limited liability, it is not only a question of whether that is to be granted by The House, aye or no, but the next question is that it is a matter of degree, and perhaps upon many of these terms there would be some difficulty in defining exactly what was meant?—Then it would be the duty of the officer to say, "The apparent intention of the Act of Parliament is not expressly carried out."

315. Should you propose it to be his duty to take any means to ascertain what the intention of the Bill was, excepting from what appeared upon the face of it?—I assume that he would always be in communication with the framer of the Bill or with the introducer of the measure; and, indeed, I conceive that

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nine-tenths of the good which would arise from this officer is, being in communication with the framer of the measure before the Bill came into Parliament.

316. Then it would almost result in this officer being consulted upon the framing of the Bill?—I will put it in a popular way of illustrating it. You want to make you will, and you come to me and say that you want to make your will, and by that means to do so and so, and so and so. My duty as a conveyancer is to carry out your intention, not to say, "Do not give your wife so much, or your son so much;" I leave that to you; but my object is, knowing your intention, to carry that out in good legal plain terms; and that, I take it, would be the duty of the officer.

317. That, I suppose, is also the duty of every gentleman professionally employed to draw a Bill?—Yes.

318. Is it or not your opinion, that gentlemen having the intentions of legislators stated to them, do that which conveyancers very often do, namely, carry out something a little beyond the intentions, and, to make assurance doubly sure, introduce a multitude of expressions, and do a multitude of things which carry the intention of the legislator so much beyond what he himself intended, that when it comes to be pointed out to him he does not recognise his own child, in the same way that you did not recognise your own child which you had drawn respecting limited liability?—With respect to the errors of gentlemen introducing Bills in the House of Commons, I think you have given a very correct picture of them; but when you speak of conveyancers going beyond the intention, and not properly expressing themselves, I do not agree.

319. Take, for instance, the case of a marriage settlement; two gentlemen agree; the one says, "I will give my daughter so much," and the other, "I will give my son so much;" they perhaps make a short memorandum of these things, and hand it to the respective solicitors, who hand it to the respective conveyancers; very often, I think, those who have experience in these things find that the conveyancers fail exactly to carry out the objects of the parties, and considerable discussion takes place, sometimes to a very expensive length, between the solicitors of the parties, because they have overdone that which the parties intended?—I hope your experience is more about bad Bills than about badly-drawn conveyances; that is the only answer I can give. We all of us make a mistake sometimes.

320. These are not actually mistakes. I ask you this question, Whether there is not a natural tendency in parties drawing bad conveyances or bad bills for greater caution to get quite to the outside of what they take to be the intention of the parties?—I can hardly answer that question. A man who draws an Act of Parliament ill, does not carry out the intention, because he goes too far, as much as if he falls short.

321. Of course there must always be a difficulty where short instructions are given in parties exactly understanding how far the person intending to legislate actually means to go?—Assuming that the framer of the measure or the reporter upon the measure sees that there is a discrepancy or an imperfection, his duty will be to call the attention of the person having charge of the Bill to it, or to report upon it to the Committee.

322. Mr. *William Ewart.*] If the draftsman of a Bill exceeded the intention of the introducer of the Bill, you apprehend that the officer appointed by The House would correct that?—Yes.

323. That would be one of the objects of the appointment of such an officer?—Yes.

324. Mr. *Henley.*] You have mentioned a gentleman whom we all of us know to be one of the largest draftsmen of Bills that we have to do with, namely, Mr. Coulson; you think that he would be a very able man in such a position?—Yes.

325. Has your experience of Mr. Coulson's Bills been such that they have not in very material points, with his own assent, when they have come before The House, been changed?—My experience is very little, except that I have seen Bills prepared by Mr. Coulson, which I thought admirably well suited to their purpose.

326. You are not prepared to pass an opinion upon that point?—No, not beyond what I have stated; I have no experience, I have no knowledge.

327. Mr. *Walpole.*] I suppose you would be of opinion that whoever may be employed,

employed, either to frame or to revise Bills, it will happen in so difficult a matter as that that some mistakes will occur?—Yes.

328. But the object, as I understand you, of the plan which is proposed is, to secure for the assistance of The House as much aid as can be given by an experienced person to take care that the legislation is in the proper form, and consistent with the law?—Yes, that is exactly the effect of what I suggest.

329. According to your observation and experience, does it not often occur that Bills which are introduced into Parliament, we will say by a Government department, and still more by a private Member, are altered in Committee, and do vary very materially from the way in which they were introduced, and that alterations are introduced into them which make the Bill inconsistent even with itself, and still more with the law?—That is constantly the case.

330. Would not one of the great objects of an officer appointed in the way suggested, be, that The House should be enabled, not to refer all Bills, but to refer a particular Bill, or to refer particular provisions of a Bill, in order that they might have opinions as to the effect of the alterations which were so introduced?—Clearly; that I think is really one of the most important parts of the measure.

331. You have mentioned as to the Limited Liability Bill of last year, that it was materially altered from the shape it first assumed, when it was introduced into Parliament?—Yes.

332. It came out in a very different shape at the end, and I think you have stated, in answer to a question, that another Bill is necessary to correct some of the errors in that Bill?—So I am told.

333. If such an officer as that which is suggested had been at the command of the two Houses of Parliament, do you, or do you not, think it probable that some of the errors which you are told have crept into the Bill might have been, upon a reference made to him, corrected before it passed into a law?—Certainly.

334. You think that one of the main objects of such an officer would be, aiming at perfection, but not of course presuming that perfection in anything can be actually attained, to prevent a great many mistakes, to get your legislation more uniform, and to know that your Bills were not inconsistent with themselves or with the law?—Yes.

335. As to the mode in which you would carry that out, I believe there are more opinions than one?—Yes.

336. Some people think that one officer would be better, and some a Board?—I have a horror of a Board, except for the purpose of advising or directing. I prefer individual responsibility with a staff.

337. If you could get an experienced officer with an able staff to assist him, as a junior counsel assists a senior counsel in the way pointed out by my right honourable friend, would there not be a greater chance of uniformity in legislation, consistency in legislation, and, indeed, improvement in legislation, if you entrusted such a duty to a single officer, than if you entrusted it to several minds?—Certainly.

338. According to the paper which you have put in, you have rather suggested that the help of a Committee should be given to this officer who was so appointed; have you considered whether any Committee appointed by the two Houses could, with the other duties which they would have to perform, devote themselves to that which would be more the machinery of legislation than considering the general measure which they would have to consider in Parliament; would they have time to do it?—Of course, I can be no very good judge upon those points; but I really look upon that Committee not doing a great deal, but being the means of the officer communicating more conveniently and decorously with The House, at the same time specially guiding the officer upon difficult questions which might arise.

339. If, as I understand you from the answers which you have given me, the main object of the appointment of the officer is to give legal assistance to The House as to the form and effect of the provisions of the Bill, would not that be better entrusted to a person who is not a Member of the House than to a person who is a Member of the House, who could not give the same time to the subject as a person whose whole time was devoted to it, and who would have to give an opinion both before the Bill came to the officer, and after it came out of his hands with his remarks upon it. Would there not be an inconvenience in having

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having the Members of the House forestalled in the opinions which they might give without that due deliberation which would be expected from a paid officer? —According to my view, the duty of the officer merely is to see that the Bill carries out the proposed object; he has nothing to do with the principle of the Bill, but has merely to see that that Bill carries out a good system of limited liability, we will say, or any other subject. Therefore in the duties of the Committee there would not be any forestalling; they would only assist this officer in obtaining for The House assistance for the proper explanation of the law, not to the plan or scheme of the law.

340. Then, according to that statement, the Committee must be a Committee of lawyers of equal experience with the officer, to advise upon the framing of the Bill?—If you assume that the Committee is to assist the officer upon all occasions, I think that would be objectionable; but it certainly did strike me that there might be such a Committee to which that officer might occasionally resort in cases of difficulty on points of prudence, and as to how far he should report this or the other; and that that Committee might communicate to The House better than having a mere written report of the officer, which the officer could not appear and maintain, or support or explain. I will take the liberty of giving you an illustration; two of the gentlemen who were Commissioners to revise the laws of New York, stated, that if they had not themselves been allowed to attend the Committee of Revision of the House of Legislature, the measure never could have passed, because they were enabled there to defend their measure, to explain it, and to assist respecting it.

341. But is there not a great difference between revising retrospectively past laws, and revising the current legislation?—There was a great deal in the revision of the New York law, which was entirely new law.

342. Mr. *William Ewart.*] Was it not stated by Mr. Duer, the person who was the principal reviser of the New York code, before a Committee of this House in the year 1836, that besides the establishment of a code he thought it would be a great improvement in the system, if there was a permanent Board to whom each law should be referred, after it had passed through a Committee of the whole House?—Yes; there have been over here since then gentlemen who assisted in the revision; I think two of them; they both stated that they never could have got through their work, if they had not been themselves enabled to be face to face with the Committee of the Legislature, and to support and explain their view; the Committee, I suggest, would be a kind of substitute for this.

343. In corroboration of that, will you allow me to call your attention to the evidence given in 1836, before a Committee of the House. Mr. Duer states: "Mr. Spencer," one of the commissioners for the revision of the law of New York, "fortunately for the success of the plan, was a Member of the Senate; he attended in his place, and during the second Session Mr. Butler was always in the Legislature as a Member of the Assembly;" he says that, "he thinks the presence of these gentlemen in the Legislature was one of the causes of the adoption of the work," and he states that that led to success?—Yes. Nobody is more willing than I am to give great praise to the revisers of the code of New York, but our system of judicial interpretation of statutes and interpretation of the law is so different from the way in which the law is interpreted by the judges, both in Boston and in New York, that I am quite convinced that the code of New York, or the code of Boston, would not satisfy our courts here. I think there is hardly a line of the code of New York that would not employ the Court of Queen's Bench or the Court of Common Pleas for weeks.

344. Mr. *Evelyn Denison.*] You stated that you had a horror of Commissions, and were in favour of individual responsibility?—Yes, with reference to such duties as those of the officer in question.

345. Do not you think that if there was a Committee appointed by the House of Commons to superintend the course of legislation, that would tend to diminish the individual responsibilty of Members introducing Bills to some extent? —It might to a very modified extent. Unless the officer was quite right he would have no weight.

346. I am not talking of whether he is right or wrong, but the more right he was, the more he would diminish the responsibility of individual Members in bringing in Bills, the more they would rely upon him, would they not?—It would be lucky for them if they did.

347. You have said in your evidence in chief that this officer is probably to understand a Bill better than the man who drew it; will anything, in your opinion, make compensation for a Bill that is badly drawn at first; would not the great object be to have a Bill well drawn in the first instance?—Of course it would.

348. Would not it be extremely important that arrangements should be made that Bills should be well drawn by the separate departments of the Government rather than that they should be amended and doctored after they had been brought into the House?—When you represent my answer as stating generally that the revising officer, as we will call him, would understand the Bill better than the man who drew it, that of course must be subject to some modifications. I will assume that a Bill has been drawn at the Stamp Office with regard to the management and administration of stamps or taxes; I will assume that a Revenue Bill has been drawn; the probability is that the revising officer would not understand the details of the subject nearly so well as the officers who originally prepared the Bill, but he would be enabled to see whether it carried out the real objects of the Bill, whether it was in proper language, whether the penalties were duly stated, and whether there was proper provision for their recovery, &c., none of which things in the department could be so well done as by a man having general information.

349. Take the different departments of the Government; you have spoken of the Revenue department; take the Poor Law department; would not it most likely tend to well-digested and well-prepared laws if great care was taken that the Bills introduced by these departments were drawn by pretty competent people?—Yes.

350. Can you imagine anything so likely to keep these well-prepared laws in a good shape while they are passing through Parliament, as that some Member at the head of the department, who is responsible for these laws, should himself carefully watch the progress of them through the House; does not that strike you as being more likely to keep law-making in a good shape, than that any Committee should be responsible, or share in any way the responsibility of these Acts, while they are passing through Parliament?—I think, in the first place, you have assumed that you will find a person so very carefully, and so well instructed, as to be able to draw all these Bills of the different departments; my experience goes the other way.

351. Let each department have a person to draw its Bills of course?—You must have a very efficient person to do that, and a person very well acquainted with the existing legislation; he must be conversant with how far the proposed measure affects Acts already in the Statute Book, and how far the various objects of the Bill are carried out; I will assume that this revising officer has greater experience in expression, and is of more general experience as to the whole state of the law.

352. I have asked you whether it is possible for a man possessing all these qualities to amend a Bill when it has once been imperfectly, crudely, and ill drawn?—I think he would make it better; he might not make it perfect.

353. If you want to accomplish the object in view, is not it better to begin at the real fountain head, and to take care, as far as possible, that laws shall be well drawn at first?—I quite agree with you; but I do not think that the doing that is at all inconsistent with having one responsible officer who will take the general superintendence of the whole Statute Law, and of the general mode of expression; I quite agree with you, that it is better that you should insure that the various departments, the Admiralty, the Stamp Office, the Poor Law Board, the Board of Trade, and the other departments should each of them have their Bills drawn as well as they possibly can be drawn, and indeed, in several of the departments they are now admirably well drawn; I will take, for example, Mr. Thring, at the Board of Trade; he is very dexterous.

354. Let us follow it up, and assume that a Bill has been well drawn; the next question which I ask is, is not it better to keep the responsibility and management of that Bill as undivided as you can in the charge of some person competent to conduct it through the House of Commons?—Yes, I quite agree.

355. If there is the head of a department competent to conduct the business, he always has the power of referring to some able man who has drawn the Bill?—Yes.

356. Why should not those two persons together be able to watch over the

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amendments, and to keep the progress of the Bill in good shape?—I agree with you, as it is almost a truism, that it is an object to have the Bill drawn as well as it possibly can be; and it is an object to have it drawn in the department, by a skilful man, conversant with the objects and the wishes of that particular department, but he will not be conversant with the general state of the law; and he will very likely make a very imperfect measure as regards the general state of the law, although he may carry out the particular objects of the Post Office, or the particular objects of the Stamp Office; but he may not be conversant with the general branches of the criminal law. You will find inconsistent penalties, inconsistent modes of proceeding to recover penalties, &c. You will find that he will be occasionally drawing it all with reference to the particular advantages and exigencies of that department, without any reference to the existing poor law, or to the criminal law, &c. But it is not with reference to these departmental Bills, which are generally prepared at considerable expense and with very great care, but it is with reference to general legislation, and especially to private legislation. I say private legislation as opposed to departmental legislation.

357. The Bills of private Members?—The Bills of private Members. I will take a case where you have no department, and where the most important Bills come in, which is the case of criminal law. You have no department there. You have the Attorney-general, whose time is entirely taken taken up.

358. The Bills relating to criminal law are universally brought in by the Secretary of State for the Home Department?—Very often; not always, I believe.

359. I will again ask you, whether, to carry individual responsibility forward, you do not think that it is a great thing to keep the Member who introduces a Bill responsible as much as possible, to keep his attention confined and directed to the matter, and not to let him throw off upon a Committee of the House of Commons the responsibility of making his measure as perfect as he can?—I will assume that I am a private Member, and have taken considerable pains with the particular object in view, and have had drawn, as well as I possibly can, a particular Bill to carry out that object. I should feel it to be a very great advantage if I knew that, at some stage of that Bill, the revising officer looked at that Bill, and was able to point out to me some difficulties, or some discrepancies, or some omissions. It would not diminish my responsibility. It would add to the interest which I took in the Bill the prospect that I should have a more perfect measure.

360. There being an authority to whom a private Member can refer is a totally different thing from having a Committee sitting upon the general matter of legislation, who are to guide the House in the course of their legislation. I am now pointing rather to the question of the appointment of a Committee of this House?—As far as the appointment of a Committee goes, I was induced to recommend it in order to make a convenient communication between the revising officer and the House.

361. Just follow that up. Would not the individual Member afford you, upon reflection, a means of communication which would be desirable?—To a great extent he would, if he were willing, and so long as the individual Member agreed with the officer, and so long as the individual Member was amenable to reason, he would. I will take my own experience of a gentleman whom every Member of this Committee must recollect, who was exceedingly eager in passing the first Drainage Bill by tenants for life, &c., viz., the late Mr. Pusey; I drew one or two Bills for him, but he had such very peculiar views, that, although a man of very considerable learning and astuteness, it was really impossible to get him ever to allow me to frame for him a measure which was of real use, and would pass; if there had been a revising officer of great authority in the House who could have communicated with a Committee, and if the Committee could have communicated to The House, I am sure Mr. Pusey would have had a good Bill instead of a bad one.

362. That was not upon the technical question of whether or not certain points fell in with other points in the law, but it was upon the great scheme and plan of the Bill?—No, it was the technical point of how the qualified owner was to charge, and how much was to be charged, and how it was to be recovered, and the whole machinery in detail; I had nothing to do with his principle; it was the whole machinery to carry out his principle in the Bill; I never interfered with his principle in the Bill; that was his own.

363. Would

363. Would you propose that a Committee of the House of Commons should have to suggest how the machinery of a Bill should be carried out contrary to the opinion of the original Member who introduced the Bill?—Yes; backed as that Committee would be by a man who had the confidence of The House.

364. Mr. *William Ewart.*] Do you suppose that this officer would say to the Member who introduced the Bill, "Sir, your machinery will not in a satisfactory manner attain your object; I suggest a machinery satisfactorily to attain your object"?—Yes.

365. Of course you would give this officer no legislative powers?—None at all. Not only that, but the great object was, in order to induce the House to adopt this plan, as far as possible to remove him from the House, and that he should be without any personal and immediate communication with the House.

366. In a former part of your evidence, I understood you to suggest that Bills should be submitted to this officer before they are introduced into the House?—I did not suggest that they should be submitted to the officer, but I thought that, in nine cases out of ten, they would find their way to the officer. I will assume that there is some private measure which you are anxious about; you would have an opportunity of seeing the revising officer, and talking it over with him.

367. I am now speaking of the time which should be fixed by any regulation for submitting the Bill to the officer. Do you think that before the introduction of the Bill would be so good an opportunity of submitting it to the officer as after the Second Reading of the Bill?—I think the earlier the officer saw the Bill the better, of course; but you must not interfere with the action of Members. A Member might say, "I do not wish to show it to the officer."

368. The Bill being referred to him upon the Second Reading, then the officer could apply the machinery after the principle of the Bill had been agreed to?—Yes.

369. Would you then recommend that after the Bill had passed through Committee, the officer should see it again?—If it were possible, if the House consented to it, it would be a great object; for the most damage done to a Bill, especially to a very carefully prepared Bill, or a Bill prepared upon any nice scheme of arrangement, is in Committee, by the alterations made by individual Members.

370. You have recommended the formation of an index to the statutes?—Yes.

371. Before the formation of that index, do you think it desirable to have by your Commission what may be called an expurgation of the statutes?—Sir FitzRoy Kelly calls it an expurgation; but I do not.

372. Before forming an index, would you have all the decayed statutes swept away?—We are now forming a catalogue or calendar of every public Act of Parliament which is in existence, and that will be an index: therefore, the residue, of course, is that which Sir FitzRoy Kelly and some Members of the Commission call an expurgation; but the statute, though expired, or repealed, or spent, still remains a statute.

373. You would not clear off all the decayed statutes first?—I think you would find great difficulty in doing that. Lord Brougham last year proposed to repeal a great number of statutes which had been already repealed; he repealed a great number of statutes which had expired; he repealed the attainder of Sir Thomas More. These proceedings of Lord Brougham, borrowing Sir FitzRoy Kelly's observations, were expurgation; but the statute still remains on the statute book, though spent and expired; it becomes historical. But a great deal of what has been called clearing the statute book would be very prejudicial. All the Members of the Committee present will recollect that, some 10 or 15 years ago, a new Act of Parliament relating to wills was introduced, which made it necessary to execute all wills in the presence of two witnesses. Nobody would think of expurgating the statute book of the statute of Charles; a conveyancer will want to look at the statute of Charles in titles for 60 or 70 years hence, in order to see that the old wills were properly executed. Therefore it would be idle to expurgate the statute book of the old statute of wills. With respect to all the statutes relating to fines and recoveries, if I expurgated the statute book of those; that is to say, if they were torn out of the Parliament rolls and nobody could see them, I should not be able to tell 40 or 50 years hence whether a fine

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or recovery had been duly suffered or levied, and whether a man had a good title to his estate.

374. Still are there not superfluous Statutes which encumber the Statute Book?—If they are superflous, they do not encumber the Statute Book.

375. What is the use of keeping a law which is not in existence?—But how can you get it off?

376. By repealing it; you stated that you would have a Committee of the House of Commons to assist the officer in supervising the Bills which passed through the House of Commons?—Yes.

377. Of what number of Members do you think that Committee should consist?—I have not at all considered the subject; seeing that it worked very well in the House of Commons as regarded private legislation, and seeing that it worked also very well in the House of Lords as regarded private legislation, and seeing that especially in the House of Commons I thought there would be a jealousy as to having any officer to interfere at all, it struck me that the simplest course would be to put him in communication with a Committee, who might occasionally assist him, and always communicate his views to The House.

378. You suggested that that Committee should be a paid Committee?—I only made that statement with reference to what the Right Honourable Member asked me, whether it would not be difficult to find an eminent man who would give his time to it; then I said, "As you pay your Chairman on Private Bills, and as the Chairman in the House of Lords is paid, I do not see why you should not pay the Chairman of the proposed Committee, if you find a difficulty."

379. Then the Committee would resolve itself into one paid Member?—That paid Member would probably take more pains and more labour than the other Members of the Committee. I have been very much examined about this Committee; I have no very strong opinion upon the point at all; it only struck me that it might be a convenient mode of communicating with The House; I do not think it essential.

380. You would not compel private Members to submit their Bills to this supposed officer?—Certainly not.

381. But do you think that they would gradually get into the practice of doing so from its convenience?—I should think so; the Committee must be a better judge of that than I can be.

382. Do you think it a great advantage that the drawer of the Bill and this officer should be brought face to face upon the object of the Bill, so that they might embody that object and carry it out in the machinery of the Bill?—Clearly; I take it that a great many Members of Parliament now communicate with Mr. Coulson upon Bills which they have coming in, or in which they take an interest.

383. You have been asked some questions about the expediency of having Bills well drawn before being brought into The House. Do you or not think that Bills would be better drawn, in consequence of the apprehended supervision of such an officer as you suggest. Do you think that the draftsman drawing the Bill, would pay more attention to the drawing of that Bill, if he knew that the Bill would be afterwards supervised by an officer of the House of Commons, or that it would not be so?—I believe that every draftsman at the bar, and every man of character, takes as much pains with every Bill that he has to draw, as his knowledge and his capacity and his time allow; therefore I do not think that that would have influence with him.

384. At all events, would it have an influence which would be likely to prevent his paying so much attention to the drawing of Bills?—Certainly not.

385. You have been examined upon the subject of the drawing of Government Bills, by the different Government Departments, before they come into the House of Commons. Though the suggested officer for supervising Bills might not be so conversant with all the details of the department as the drawer of the Bill employed by the department would be, yet would not this officer of the House of Commons still be of great use in bringing different Acts of Parliament into harmony with each other, in seeing that the phraseology was perfect, and in making observations, such as might not occur to the original drawer of the

the Bill?—I think that that would be one of the principal respects in which he would be valuable.

386. Mr. *Locke King.*] It was the original intention of the Statute Law Board, which was appointed in 1853, to revise the Statute Book, was it not?—I have not got the Lord Chancellor's letter.

387. This, I think, was the instruction, was it not, "The first process will be by determining what statutes have been repealed, expressly or virtually, what have expired," and so forth; and then that a special and detailed report should be made, and so forth, and that it should form the groundwork of a declaratory Bill?—Yes.

388. That plan, I think, was abandoned?—That plan was abandoned for the time, upon consideration of the whole subject by the Lord Chancellor; and I should state, with respect to that Board, that they were appointed experimentally for one year; and in the appointment of each gentleman, the Lord Chancellor expressly guarded himself, and said, "You are appointed only for one year; and if I do not further employ you, or if the matter does not go on at all, you are to have no ground of objection, or to consider it any impeachment of your character," or some words to that effect. That Board was entirely experimental, and the particular directions of the Lord Chancellor were not to let any work be undertaken which would in my opinion take up more than the current year for which the gentlemen were employed. There was only a vote or grant obtained from the Treasury for that one year; some who were employed upon that Commission were anxious to undertake a great work which must last for several years. In a great measure several of those proposals were abandoned, seeing that it was impossible to execute the work within the time; therefore the whole object of that Board was experimental; different papers were written separately by the members, containing their special views, which were from time to time considered by the Lord Chancellor, and he gave his directions accordingly; and whatever was done was under the Chancellor's directions.

389. Under your direction an expurgatory list of statutes was prepared?—Under my directions a list of statutes was prepared, showing what were in existence, and what were not in existence. I do not call it an expurgatory list; it was a list of statutes, and it was done in considerable haste, although it was done with great skill, by Mr. Anstey and Mr. Rogers. With reference to the time that was employed, it was done with extreme care, but it is not perfect; anybody must know that, when he sees Mr. Wood's paper, and how he has been doing that expurgatory list; or when he sees the specimen prepared by Mr. Coode. Mr. Coode, I think, could not have completed his proposed register under two or three years, with very considerable assistance.

390. When you mention Mr. Wood's paper, what paper is that; is it the paper before us?—No, it will be before you in two or three days; it is appended to the forthcoming report of the Statute Law Commission.

391. Then the next step was consolidation?—Yes, consolidation by way of groups, not systematic consolidation, but taking a particular group of statutes: for instance, statutes relating to masters and servants, which were consolidated by Mr. Rogers; and the statutes relating to the national debt, which were consolidated by Mr. Anstey. A certain portion of the law was consolidated by Mr. Brickdale, mixed with the common law. These were done as specimens of how the work might be accomplished, and to enable any commission that was afterwards to be appointed to judge and make use of these schemes and plans. That was one of the objects of that experimental Board.

392. What would you give us to understand by the mixture of common law?—In the papers of the first Commission you will find a digest by Mr. Brickdale done upon three plans. First, a digest of the law of distress, taking purely the enactments of the existing statutes. Then he made a digest of the whole law on that subject, statute and common, but without introducing any alteration; and, thirdly, he made a digest of the statute and common law in improved language, and with some amendments, so as to make a section of a code or digest. They were done as specimens merely.

393. By a code we are to understand both the unwritten law and the written law?—Yes: that is my notion of a code.

394. Mr. *Henley.*] Reduced into writing?—Reduced like the Code Napoleon as the whole law of the country.

395. Statute and common law?—Yes.

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396. Sir *James Graham.*] Is that document to which you have referred as to the mixture of statute and common law before the Committee?—It is not before this Committee, it is before Parliament: it is in the First Report of the early Statute Law Commission.

397. Have you looked at it attentively?—Yes. It was done while I was a member of the Commission, and was done under my direction.

398. Then you would produce that as a perfect specimen of a code?—I should produce it as a perfect specimen of the state of the statute and common law at that time.

399. What is the date of it?—1853 or 1854.

400. Then you would present that as a perfect code upon that head, embracing both the statute and common law upon the subject matter?—I should present it as a perfect statement of what was the common law and the statute law at that time: if I was to reduce it into a code, I should probably reduce it into more precise language, and into more general terms. I assume that a code is a body of new law made by some one person, or some Commission, or some Committee, or some Legislative body, in which the law is amended, and made according to their wishes; but that would be a short specimen of such a code, assuming that you wished to codify the statute law.

401. The phraseology employed with regard to the statute law is the improved language of the statutes?—Yes, and the precise language of what was the existing law.

402. What is the standard of the language employed with regard to the common law?—We take it from the text books, Lord Coke and Lord Hale, and the decisions of the judges upon decided cases; that is the only source from which you can derive your text. It must be from the decisions and the text writers of known authority.

403. The statute law is voluminous; but taking the reported cases from Lord Coke downwards to the present time, what sort of bulk may those volumes form?—Some 1,000 volumes, I should think.

404. And through those 1,000 volumes common law has been traced on this head by Mr. Brickdale?—It has been traced from indexes and digests; nobody ever looks at the 1,000 volumes. There are six or eight digests upon the law of landlord and tenant and the law of distress; that was an easy head, upon which there was not likely to be doubt.

405. Then this language with regard to the common law is not the language used by the different judges, but is the language in the indexes of those 1,000 volumes?—No; the language is the draftsman's own, being a statement of what he believes to be the law; where there were decisions of the judges of course the decisions of those judges were referred to, and the principle was eliminated from those decisions.

406. You speak with confidence that this presents a good specimen of the intermixture of statute law and common law?—I do. With regard to the introduction of a code, the difficulty of language in Acts of Parliament and the difficulty of language in codes has been most strikingly pointed out by Dr. Johnson, in a passage which he must have written early in life, for it is in one of those Lives which he wrote for Cave,—the Life of Frederick the Great. I do not think that any judge or any writer upon the subject has ever hit the whole difficulty in so clear a way. If the Committee will allow me I will read it. Dr. Johnson, speaks of the Frederican Code, as being in one volume of no great bulk, and which must therefore unavoidably contain, he says, only general propositions, to be accommodated to particular cases by the wisdom and integrity of the courts; and remarks, "To embarrass justice by the multiplicity of laws, or to hazard it by confidence in the judges, seem to be the opposite rocks on which all civil institutions have been wrecked, and between which legislative wisdom has never yet found an open passage." Those really are the rocks which we have. We are induced, on the one hand, to make our Acts of Parliament extremely verbose and extremely precise, to fit them to the principles of judicial decisions, when we have a judge who decides that a duck in an Act of Parliament does not mean a dead duck, and that ox, cow, calf, and other cattle of any kind whatsoever does not mean a bull. A man having all those principles before him, and being employed to draw an Act of Parliament, always draws his Act of Parliament with reference to those principles of construction, and hence in a great degree arises that verbosity which those who

frame

frame Acts of Parliament are found fault with for employing. But if you take merely general principles to be worked out by the judges, you then find that it takes some half a century before the meaning of your abstract law is ascertained. That is the real difficulty of all persons who have either to prepare a code or even to prepare an Act of Parliament.

407. And you think that with respect to the single matter submitted to Mr. Brickdale, he has found a narrow channel?—Yes. As I stated, it was a very easy branch of the law, and it was expressly picked out for that purpose, because the law was very well known, and very well eliminated in the text books, and it was done merely as a specimen. I should state that the present Statute Law Commission, has authority if it chooses, in particular cases, to add the common law to the statute law.

408. Mr. *William Ewart.*] Is not that what you would describe rather as a digest than as a code?—Perhaps it would be better to call it a digest of the two laws, because no alteration in the law was made. I should say that was a better expression than the one which I used.

409. Mr. *Locke King.*] Then if I understand it, you have been engaged as a member of the Statute Law Commission and Board in revising the statute law and consolidating it, in codifying it, and in addition to that, in revising the Bills which have passed through the House of Lords?—In that first experimental year, we did those things which I have mentioned. We gave specimens of consolidated groups of Bills. Mr. Anstey gave a specimen of the laws relating to the national debt. Mr. Rogers gave a specimen of the laws relating to master and servant, and to bills of exchange. Mr. Brickdale made a digest of the law relating to distress. A great number of very excellent papers were written by different members of the Board, giving their views as to carrying the matter out; there were especially some clever papers upon legislative expression and arrangement by Mr. Coode, all of which were very important, and I think tended to show a great number of the difficulties which surrounded the subject, and the Lord Chancellor and myself, or certainly myself, were open to the blame of altering our views, more or less, upon several of the subjects included in the instructions, further consideration having induced those altered views.

410. Then I am correct in what I say?—You are correct that in the first Statute Law Commission I was employed in doing all those matters which are reported upon by me, and in stating my own opinions. Since that time a Statute Law Commission has been formed of which I am only an individual member, but I have taken the general detail in the management of the Commission. I am paid 1,000 *l.* a year. But, in addition to those duties, I assist the Lord Chancellor in revising such Bills, or in drawing such Bills as he may send to me for that purpose.

411. Under what authority do you revise those Bills, for on looking at the appointment of the Commission, I do not see it?—There is no authority at all except the Lord Chancellor's own authority; he regarded it as consistent with my duties when I was not employed upon the Statute Law Commission, and when it was convenient to me that I should assist him in considering the Bills which were brought into the House, or which came up from the other House, considering it as in connection with the general subject of legislation referred to the Statute Law Commission.

412. Then do you consider that there is not work enough in the Commission in consolidating the statutes or in revising the statute book, as you have all that time to spare?—I consider that there would be a great deal more than enough if I were to do the whole of it; but we employ persons under the Board to digest particular subjects decided upon by the Commission. I do not prepare the drafts of the Bills.

413. Including the experimental year, you have been now at work four years?—I think there was an interval of six months when the experimental year ceased, and before the Commission issued.

414. But still the pay, I suppose, went on the same?—I beg your pardon; it did not go on.

415. Have there been any Acts of Parliament emanating from the present Commission or from the Board?—I do not think that there have been any brought in, except the Criminal Law Bills, which were brought in at the end of last Session; there have been a great many prepared.

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416. Were those Bills prepared by the former Criminal Law Commissioners or by the present Statute Law Commissioners?—By the present Statute Law Commissioners.

417. Entirely?—Entirely. As you have alluded to the former Criminal Law Commission, I should state to you that the former Criminal Law Commission, upon which I was employed for many years, was directed first to consider whether it was expedient to have a digest of the written and unwritten law relating to crime; we reported that it was expedient to have such a digest, and for many years we were employed in making that digest; that digest was completed.

418. For how many years were you so employed?—I think you have the return.

419. In your opinion ought not the officer whose appointment is recommended by the Statute Law Commission to be well acquainted with the forms of the House?—It would be a great advantage.

420. You have recommended Mr. Coulson?—I take Mr. Coulson as a type; of course it is not for me to recommend anybody, but I have had a great deal of communication with Mr. Coulson, and every Member of this Committee must know that he is extremely conversant with the duties of his office; I think he has been in it for 10 years; he was very eminent as a conveyancer before he left Lincoln's-Inn.

421. But should you say that he was very well acquainted with the forms of the House?—I should think he was; he is very much under the gallery; he seems to know a great deal; he knows a great deal more than I do, at least.

422. Would you not think it desirable, in commencing de novo with a plan of this kind, to have a person in the full vigour of life, and in full activity, who is likely to go on many years with the work?—It is very difficult to define the full vigour of life. I remember a juryman in the Court of Exchequer complaining that he wished to get off, and Lord Lyndhurst asked him how old he was, on which he said "70, my Lord." "Pooh, nonsense," said his Lordship, "it is the prime of life." If you allude to myself, I agree with you; but I should think Mr. Coulson is a man under 60, and that he has got at least 10 or 15 years' work in him.

423. Mr. *Dunlop.*] On the staff of this officer would you consider it necessary to have some person thoroughly acquainted with the law and forms of Scotland, so as to secure consonance in the phraseology of statutes applying to both parts of the kingdom?—It certainly would be a desirable object, especially as probably he would be the only person, except Members of Parliament, who would have that knowledge.

424. Sir *FitzRoy Kelly.*] Mr. Coulson has informed us that a very great number of Bills have been prepared, and that a great many others are now in the course of preparation for the consolidation of the statute law?—Yes.

425. Is it one very important question now under the consideration of the Commission, and not yet decided, whether those Bills should be submitted to Parliament in single Bills, or in classes, or the whole together?—I believe you are alluding to the criminal law Bills.

426. I am alluding to the Bills in general. Mr. Coulson informed us that a very great number were in course of preparation. A great many as we know, for instance, the criminal law Bills and others, have been prepared. Is it not a question yet under the consideration of the Statute Law Commission, whether Bills which are prepared for the consolidation of the statute law should be submitted singly to Parliament, or whether they should be presented in classes, as, for example, the whole class of the criminal law, or in still greater numbers and at one period?—It is still under consideration; that point has not been decided. A great many Bills have been prepared; a great many upon mercantile law. All the Bills relating to real property law have been prepared, but have not yet been revised.

Thomas Erskine May, Esq. (Clerk-Assistant of the House), called in; and Examined.

T. E. May, Esq.

427. *Chairman.*] YOU are aware of the subject of reference to this Committee?—I am.

428. Have you had your attention drawn to the Second Report of the Statute Law Commission?—Yes; I have perused the Second Report of the Statute Law

Law Commission, as well as the Paper which has been circulated to the Committee, prepared by Mr. Coulson and Mr. Bellenden Ker.

429. With regard to the drawing of Bills, have you had under your consideration any plan for having all Bills framed by one officer or Board?—I observe that the First Report of the Statute Law Commission suggested the alternative, that Bills should either be prepared, in the first instance, by an officer or Board, or revised subsequently to their introduction into Parliament. In the Second Report, however, I find that the Commission no longer recommend that the Bills should, in the first instance, be prepared by such an officer or Board, but that the revision should be undertaken by some authority connected with Parliament. I also find that in the Paper to which I have already alluded, prepared by Mr. Coulson and Mr. Bellenden Ker, it is not suggested that the Bills should, in the first instance, be prepared by any Board. At the same time, I am aware that many persons entertain the opinion that such a mode of preparation would be advisable.

430. Have you formed an opinion upon that subject?—I have; it appears to me that no effective system could be arranged by which laws should, in the first instance, be drawn by any commission or officer. I think, in the first place, that the great number and variety of subjects to which Bills brought into Parliament relate, would be an obstacle to any such system. In regard to the variety of these laws, they affect the English, the Scotch, and the Irish law, the civil and criminal law, bankrupt and mercantile law, and local administration, and many other matters with which country gentlemen, and experienced Members of the House, are probably more familiar than any description of lawyers. Then again with regard to revenue Bills, such a Bill, for example, as that relating to the Succession Duty, could not be adequately prepared by any ordinary Board, and it would be necessary to refer to the special experience and knowledge of the individual draftsman.

431. Mr. *Walpole.*] I believe that in the First Report the Commissioners did not advise the preparation of Bills to be in all cases made by the officer or Board, but that they rather threw it out for consideration, whether any legislation would be satisfactory until a Board was appointed, either to prepare or to report upon Bills; and in the Second Report it appears that the Statute Law Commissioners came to the conclusion that it would not be advisable for such a Board to prepare the Bills, since they only recommended that the officer or Board should revise the Bills?—Yes; I believe I have already stated those facts in my previous answer; I stated that the alternative was, in the first instance, suggested.

432. It was not a change of opinion?—Not at all. I think that there would be other objections also worthy of consideration, which would be these. Assuming the practicability of so large a labour, and one of such a various character, to be undertaken by any single officer or Board, it would interfere materially with ministerial responsibility. In my opinion, every Bill introduced by a Minister, should be introduced upon the Parliamentary and public responsibility of that Minister, and there should be no mode of referring any part of such responsibility to a Board irresponsible to the public. I can foresee that such a system would interfere with the confidential communications necessary in designing any great measure, between the Minister having charge of the Bill, and probably the Cabinet, and also other persons whose advice may be desired. I think it better that the draftsman who prepares a Government Bill should be in intimate communication with the Minister, and that the Minister should have implicit confidence both in his discretion, and in his caution in not revealing any of the facts under discussion. I may add that there are so many changes of plan, which necessarily arise in designing any extensive measure, that if a Board were to be charged with the preparation of a Bill, those changes of plan would be extremely inconvenient; publicity would be given to them, and the effect of any measure when finally introduced would be impaired. I think also that the same objections would generally apply to a preliminary revision, by either an officer or a Board, of all Bills prior to their introduction into Parliament.

433. *Chairman.*] I understand that you do not recommend, with regard to the system of drawing Bills, any plan for having all Bills drawn by one officer or Board?—No; I think the present system of preparing Bills in different

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departments, is very superior to any which could be suggested, either for their preparation or preliminary revision by one General Board.

434. Are you of opinion that there are any suggestions which may be usefully adopted for the purpose of improving the manner and language of current legislation?—Yes; I think that there are many modes in which the present system might be improved; I would say, however, in the first instance, that I think great care is at present taken, generally, in the preparation of Government Bills. As the Committee are aware, the Bills brought in on the responsibility of the Government, by the Home Office, by the Treasury, and by most of the principal departments of the Government, are prepared either by Mr. Coulson, the Counsel to the Home Office, or by the legal assistants of the departments, or by counsel specially employed for the occasion, who have paid particular attention to the subject to which the Bill relates. These draftsmen have had generally great experience in the particular subjects which they are called upon to consider, and they also have the advantage of the Parliamentary experience and knowledge of the Minister who is charged with the introduction of the Bill. At the same time there are objections to the present system, arising mainly from the want of communication between different departments, and the absence of any uniform system in the preparation of Bills.

435. Will you state shortly what the defects are to which you allude?—The defect which has been principally complained of is want of uniformity in the style, the language, and the arrangement of the different Bills introduced; and occasionally also, a conflict may be observed in the provisions of different Bills brought in upon analogous subjects, and incidentally conflicting with one another.

436. What are the remedies which have occurred to you for that state of things?—It was suggested by Mr. Rickards the other day, that instructions should be prepared and circulated amongst the various draftsmen who are engaged in preparing Bills for Parliament; I certainly concur in that suggestion, and would add another, that such instructions might at once be prepared by the Statute Law Commissioners. They have already had considerable experience in the consolidation of the Statute Law, and it would be essential that the same language and the same rules of construction should be applied to the future current legislation, as may have been adopted in the consolidation of the existing Statute Law.

437. Is this your meaning, that they should issue a set of recommendations, which should receive some authoritative sanction from the Houses?—I would not suggest, in the first instance, that any authoritative sanction should be given to such instructions, but merely that draftsmen should at once derive the benefit, which they certainly might receive, from the experience of the Statute Law Commissioners.

438. You think that they would be likely to avail themselves voluntarily of that assistance?—I think they would gladly avail themselves of every assistance, to improve the construction of Acts of Parliament.

439. What is your next suggestion?—I would also suggest that the Statute Law Commission should prepare model Bills; in fact, I conceive that the statutes which they are at present consolidating would serve, if properly prepared, as models for future legislation, and that they might be circulated, and would necessarily be circulated with great advantage, amongst draftsmen. I conceive, indeed, that the consolidation of the statutes must be regarded as the groundwork of all improvements in future legislation. If the statutes are properly consolidated, and aptly divided into the various branches of the law, it will be comparatively easy to make every succeeding Bill consistent with the existing law, and to make its structure, style, and phraseology also analogous to that adopted in the consolidated statutes.

440. Do you think that you could advantageously establish any communication between the draftsman drawing the Bill, and such a Parliamentary officer or Board as has been suggested in the Report of the Commission?—Yes, I think such a communication would naturally arise, so soon as such an officer or Board is appointed.

441. That would be the natural effect without insisting upon it?—Yes; I believe it would arise, as I shall endeavour to explain presently, out of the system which I should venture to recommend as advisable. I would also further suggest that after the production of many of these consolidated statutes and the model

model Bills to which I have referred, there might be prepared, in addition to the instructions to draftsmen, an Interpretation Act, or Statute of Constructions, so as to avoid the multiplicity of interpretation clauses which now incumber every Act of Parliament, varying occasionally one from the other. I think it would be quite within the competence of the Statute Law Commission to prepare a Statute of Constructions, so as to give legal interpretation to all kinds of words used in Acts of Parliament, which would further facilitate the drawing of future Bills. I may state, with reference to that suggestion, that it was adopted, as a part of the system of consolidating the statutes of the State of New York.

442. Have you any suggestion to make with regard to a breviate accompanying every public Bill?—Yes. It has appeared to me, on consideration, that a breviate might be prepared by every counsel, conveyancer, solicitor, or Parliamentary agent, preparing a public Bill, and that this breviate should contain, a reference to all the statutes still in force upon the subject, without exception, and with a brief abstract of their provisions; a reference also to any portion of the Common Law referring to the same subject; a brief statement of the defects of the existing law, and of the extent of the remedy proposed; a list of the statutes to be repealed wholly or in part, and a reference to adjudged cases and text books. This breviate, I think, would insure much greater care on the part of the draftsman preparing the Bill; he would have the whole materials of his legislation before him. It would insure that degree of care which, probably, in the haste of preparing a Bill, he might otherwise neglect. At the same time, these breviates being placed before the counsel who might be authorised to supervise the Bills after their introduction, would be of great assistance to him; as he would have before him the result of the studies of the draftsman, who was particularly well acquainted with the subject of the Bill.

443. You would make it imperative that there should be such a breviate and signed by the draftsman with his own name?—Yes; I have some hesitation in using the word "breviate," because the word has been somewhat discredited by previous experiments. We formerly required breviates to be prepared of all private Bills, and they were abandoned as being found useless; but those breviates were of a totally different character; they were simply a resumé of the provisions of each Bill,—the marginal notes, in fact,—and as the Bills were private Bills, not attracting much attention or interest on the part of Members, the breviates were set aside, at length, as being merely a useless labour. The breviate which I propose is one which I think would be of great assistance.

444. Mr. *Walpole.*] In former times I think there was a Standing Order of The House which required that a breviate should always accompany the introduction of a public Bill?—Until quite recently, a breviate, so called, was required to be attached to every public Bill, but it was of no value at all; it degenerated into a mere form.

445. *Chairman.*] Not very like the breviate you have been recommending?—Of a totally different character; it perhaps might be advisable not to use the word "breviate," as the term has been discredited, as I have already noticed.

446. Have you mentioned all the advantages which occur to you as likely to result from requiring a breviate?—Yes, generally.

447. Would it give great facilities in the examination of a Bill?—It would give great facilities in the examination of a Bill, and in correcting the work of the draftsman both by the officer to be appointed and by any committee, should a committee be appointed likewise, to engage in the same work of revision; I think also that it would increase the responsibility of the draftsman materially; his name would be identified with the proposed law, and his credit would be at stake in presenting a complete view of the existing law and of the proposed amendment of it.

448. Mr. *Locke King.*] Do you recommend that this breviate should be applied to all Bills, Government and other Bills?—I think it would be convenient to make no distinction in the rules of The House between Government Bills and Bills introduced by private Members; it might seem invidious to propose any such distinction.

449. Then the name of the draftsman would be appended to all Bills?—Yes, to the breviates of the Bills.

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450. Mr. *William Ewart.*] I think the practice of drawing model Bills was recommended so long ago as 1836, by a Committee presided over by the late Mr. Aglionby?—Yes.

451. Have any such Bills been drawn?—I remember no case with respect to public Bills, but the plan has been tried with great success as regards private Bills. There were different model Bills prepared for different classes of undertakings, such as the construction of railways, docks, or waterworks, the acquisition of lands, and the incorporation of companies; and those model Bills ultimately led to the passing of what are now familiarly known as the "Clauses Consolidation Acts." The various provisions previously comprised in every ordinary private Bill then became public law, and are now conveniently adopted, by a single clause, in private Bills, when it is necessary to take the powers contained in the General Acts.

452. *Chairman.*] That experiment was tried to a very considerable extent, I believe?—Yes.

453. Were there a great many Acts of that description?—Yes, and applicable both to England and Ireland, and to Scotland.

454. And in your judgment the experiment was successful as far as it went?—I think the experiment was one of very considerable advantage.

455. Mr. *Hughes.*] I understand you to propose that a breviate should be attached to each Bill and signed by the draftsman?—Not exactly attached to the Bill; I think I would scarcely circulate it to the House; it would probably increase the bulk of the Bill. I would merely suggest that it should be deposited with the Parliamentary officer, or in the Public Bill Office, for his use.

456. You say that you would wish it to be imperative upon the draftsman who prepared the Bill to prepare that breviate?—Yes.

457. How would you make it imperative upon the draftsman to give a full and efficient breviate?—I think that every draftsman would be anxious, for his own professional credit, to prepare a breviate which would satisfy the requirements of Parliament.

458. Then it is to be dependent altogether upon the capacity and the wish of the particular draftsman to give a full and efficient breviate?—Yes, unless other securities should be found necessary.

459. You do not propose any other control over the preparation of breviates?—This control, I think, would exist, that if the breviate were found to be very imperfect, or full of inaccuracies, the officer charged with the revision of the Bills would have his attention directed to those imperfections, and would speak of them to the counsel who drew the bill, and they would be brought before the notice of the Committee which I speak of, and the credit of the draftsman would be at stake.

460. But you observe that the value of breviates, to a great extent, would depend upon the credit and character of the draftsman?—Certainly.

461. What provision do you suggest in respect of a Bill, of which I believe there are many instances now before The House, in which there is no draftsman employed?—I think one of the advantages of requiring such a breviate would be, that we should have fewer amateur Bills, that is to say, Bills not prepared by competent professional persons.

462. You do not propose that every Bill should go through the hands of a draftsman?—I would not make any imperative rule that each Bill should be so drawn, for I think it scarcely reasonable to say that a Member, if he thought fit, should not prepare his own Bill; but I think that such a requirement as that a signed breviate should be deposited, would rather induce Members to employ professional assistance.

463. Do you mean signed by a draftsman?—Yes.

464. And that in the case of an individual Member bringing in a Bill, he should be allowed to sign it if he thought fit?—Not as a draftsman. I think in the case of a Member, he would rather sign it as a Member than as a draftsman; his signature would at once indicate that no professional draftsman was responsible for the Bill.

465. Mr. *William Ewart.*] Do you not think that the breviate should be circulated for the use of Members generally?—That is quite a question for the consideration of the Committee, if they shall think fit to recommend the adoption of a breviate. I confess that my first opinion, when I thought of a breviate, was that it should be printed and circulated with the Bill, but I afterwards

afterwards considered that it might be at first sufficient if this breviate were merely prepared for the use of the officer.

466. Mr. *Locke King.*] The breviate might be accessible to Members if they wished to see it?—Yes.

467. Mr. *Walpole.*] Why should not the breviate accompany the Bill, being printed as the first sheet of the Bill?—I will state shortly some of the objections which occurred to me. I thought that some of these breviates might be of very considerable length; that they might amount almost to treatises upon the subject of the law, and that in some cases the breviate might perhaps be like the speech of the Member introducing the Bill. For these reasons it appeared to me, that it might be desirable, at all events, to see whether the system worked well, before too much publicity was given to the breviates.

468. Mr. *Locke King.*] Do you apprehend that the breviate would amount to more than two or three pages?—I can well conceive that many breviates would extend to a much greater length.

469. Mr. *Hughes.*] They would be, in fact, essays upon the existing law, and upon the new law proposed to be introduced?—That would depend upon the discretion of the draftsman; if he were at all discursive, his breviate might degenerate into rather a voluminous essay, but if he merely confined himself to the proper objects of such a breviate, I think it would generally be confined within reasonable limits.

470. Sir *James Graham.*] Would not the breviate, in the course which you suggest, amount to a case, in the technical sense, of the given subject. Take the case of a Bill from the Home Office, consolidating the law of master and servant; if there is to be a reference to all the existing statutes and to all the common law decisions, that breviate would amount to a code, in the most technical sense, of the law of master and servant?—I think it would not be difficult to state all the statutes now in force regulating the relations between master and servant; they would not be many in number. With regard to the common law decisions, I apprehend it would not be necessary to state more of those decisions than sufficed to explain the objects of the proposed alterations in the law; it would not be necessary to state the whole of the decisions upon points of the law which were not proposed to be amended.

471. Mr. *William Ewart.*] I do not know whether your attention has been called to the evidence given with respect to the New York system of revision of the statutes?—Yes.

472. *Chairman.*] You have expressed an opinion that it would not be desirable to insist upon any plan of having all Bills drawn by one officer or Board: have you considered whether it would be advisable to have any system of revision of Bills after their introduction?—Yes. I have perused with some attention the Reports of the Statute Law Commission, and I assume that the objects recommended there are recognised as being of great importance. I have considered, therefore, not so much the general expediency of such a proposal as the way of effecting it, should the Committee agree that it is desirable.

473. What suggestions would you make to the Committee upon that subject?—The first point for the Committee to consider, perhaps, will be, whether it should be an officer or a Board. I observe that the Statute Law Commission recommend one officer, with competent assistants, in preference to a Board. I entirely concur, as far as my opinion is of any value, in that suggestion; I think a single officer would be preferable. But I should say that the Committee must arrive at a clear understanding of the extent and character of the revision which is proposed, before they can determine whether an officer or a Board would be required for the purpose, and also what establishment would be necessary to assist such an officer or Board.

474. Sir *James Graham.*] You say that you would prefer an individual officer to a Board; may I ask you to what extent the time of Mr. Rickards is now employed in private business only?—As far as I am able to speak for another gentleman, I should say that his engagements are chiefly pressing at the commencement of every Session, from about a month before the commencement of the Session, when the private Bills are first deposited, until the Bills have generally passed through Committee, and are being sent up to the House of Lords.

475. The pressure upon him is at the commencement of the Session?—It is.

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476. The pressure with regard to public Bills is not at the commencement of the Session?—No; it is generally rather at the conclusion of the Session.

477. At that time is Mr. Rickards' time engrossed towards the close of the Session by the duties of his office with respect to private Bills?—I need hardly say that Mr. Rickards would himself be better able to answer that question; but I think I may state that, during the last two months of the Session, he is very considerably less engaged than in the previous four months.

478. Does Mr. Rickards devote the whole of his time during the Session to the business of private Bills?—Yes; except in the first Session of a new Parliament, when he is also Examiner of Recognizances, and has to decide upon all questions relating to the validity of recognizances and the sufficiency of sureties under the "Election Petitions Act."

479. Excepting in the first Session of a new Parliament, and any incidental questions of election which may arise in future Sessions, his time is now devoted to private Bills, and the pressure upon him is mainly confined to the first six weeks of the Session?—Not six weeks.

480. How long?—I should say the first four months. The Bills are not passed through Committee until late in the month of May, nor so soon frequently.

481. What are his duties with respect to private Bills?—His duty, in the first instance, is to peruse every private Bill deposited in the House, and to communicate with the agents concerning them; to suggest amendments both in phraseology and also in regard to the provisions of the Bill, carrying out the general rules and orders of the House as far as he is able; and afterwards to assist the Chairman of Ways and Means, who is responsible to the House mainly for the revision of all private Bills, and to communicate also with the Chairmen of Committees on opposed Bills.

482. Does it fall within your knowledge that the conduct of the private business has been much improved by that supervision?—I believe it is the universal opinion that private Acts of Parliament have greatly improved within the last six or seven years, since the revision of them has been made more effectual. Formerly reliance was placed upon breviates, which were circulated amongst Members, and read by no one. On the discontinuance of those breviates, the counsel to the Speaker had nothing to do but to revise the private Bills effectively, and to use his utmost ability to secure good private legislation. The same process is going on concurrently in the House of Lords, and the co-operation of the officers and Committees of the two Houses, I think, has been very effectual in improving the private legislation of the country.

483. Is Mr. Rickards entitled to practise?—No.

484. His whole time is devoted then to his parliamentary duties?—Entirely.

485. Which are limited to the Session?—That is so.

486. With respect to private Bills his superintendence has superseded the use of breviates in private Bills, and his time is not occupied throughout the whole of the Session?—It is not.

487. *Mutatis mutandis*, would not some such officer, either he or some other officer appointed by the Speaker and working in concert with the Speaker, supersede the necessity of your plan of breviates with respect to public Bills, and introduce the same improvement with regard to them as has been introduced with respect to private Bills?—I contemplate any change in regard to public Bills being founded upon the experience of the House in regard to private Bills; and the breviates I propose would be prepared not by the officer himself, but by the draftsman for his use. I consider that any officer would require as much assistance in revising public Bills as can be provided. The counsel to the Speaker has great assistance in the revision of private Bills by constant intercourse with the agents; he has authority at any time to send for the agent, and to require from him any statement of fact, that he thinks necessary to enable him to revise the Bill efficiently. Such an officer should have precisely the same power to communicate with the draftsmen of public Bills, assisted, as I still think, by the preparation of some breviate of the kind which I have described.

488. Would your knowledge of the time employed in the supervision of private Bills lead you to think, that the same officer, with active diligence, could not discharge the same duty with respect to private and public Bills, even if the plan were adopted with reference to public Bills?—I have considered that subject

subject in this way. The Committee are aware that there is a counsel to the Chairman of Committees in the House of Lords as well as a counsel to the Speaker in the House of Commons; that their duties are precisely the same in each case; that they communicate with each other, and that they have the same objects in view. It is not for me to suggest that any additional duties should be imposed upon other officers, but I think it is a subject of consideration whether the public and private Bills might not be revised by the same officers, there being already two skilled counsel in the service of Parliament; or whether they would not be competent to undertake at least a portion of the duty.

489. That is the very point at which I wish to arrive: whether by an arrangement between the two Houses, with reference to the lawyer employed by each, by the Lord Chancellor in the one House and by the Speaker in the other, and by concert and communication between those two officers and the draftsman, the great objects which are submitted to us by the reference to this Committee would not be effected?—I think that is a suggestion which is well worthy of the attentive consideration of the Committee.

490. Mr. *Locke King.*] Is the Examiner of Recognizances a separate office from the Counsel to the Speaker?—It is a separate office, inasmuch as it is created by Act of Parliament; but the duties of the two offices are discharged by the same gentleman, and no salary is attached to the office of examiner of recognizances.

491. Sir *James Graham.*] What is the salary of Mr. Rickards?—£. 1,500.

492. Mr. *Walpole.*] And what is the salary of Mr. Palk, who is counsel in the House of Lords?—It is also 1,500 *l.* a year.

492*. Besides that, Mr. Bellenden Ker has 1,000 *l.* a year as a member of the Statute Law Commission, in respect of which he partly advises the Lord Chancellor?—Yes.

493. Mr. *William Ewart.*] Do you suppose, as has been suggested by other witnesses, that these officers would have counsel for assistants, for what they call the staff?—Yes; I think they must have a reasonable amount of professional assistance. The task of correcting the work of others is very laborious; it requires going over a great portion of the same ground which has been already passed over by the draftsman; and it will frequently happen that the services of an assistant may be very diligently applied in finding out defects, and especially in searching through the Statute Book for any Acts of Parliament which may have been omitted by the original draftsman.

494. The breviates of private Bills were abandoned?—The breviates of private Bills were, I think, very properly abandoned, as entirely useless.

495. Do you think there is more occasion for having breviates of public Bills than there is for having breviates of private Bills?—I have endeavoured to explain why I think the two documents are wholly dissimilar. I imagine that the objection arises from the accidental similarity of name.

496. *Chairman.*] Supposing such an officer as you have mentioned to be established, what duties, in your judgment, ought to be entrusted to him?—I have scarcely explained my reason for thinking that one officer would be superior to a Board. I think that a Board which should be competent to revise all legislation would, first of all, require to be very numerous. It must consist of members of different branches of the profession, who have had varied experience, and they must be men of very high standing, almost equal to the judges. They would, in fact, assume nearly the position in reference to the House, of a department of public justice, or of the Conseil d'État in France. They would be expected to be able to supervise the whole legislation submitted to Parliament. That, I think, would involve powers and functions which Parliament itself would not tolerate; and, considering the number of law officers representing different departments in the House, the Lord Advocate for Scotland, the Attorneys and Solicitors General for England and for Ireland, and the Lord Chancellor and the Law Lords in the House of Lords, I do not think that any such Board could reasonably be expected to assist the legislation of the country.

497. Your idea is that the best plan would be not to have a Board, but to have one responsible officer, with a sufficient staff under him, that officer being the same for both Houses?—Yes, that is my opinion.

498. What duties would you propose to assign to that officer?—I would propose, first of all, the perusal of every breviate, such as I have described, and

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the revision of every Bill, so as to ensure uniformity of language, and the consistency of the different provisions of the Bill. I think he should also communicate with the draftsmen and with the Members having charge of Bills, with the Attorney and Solicitor General, and with the Committee which has so often been referred to, if it shall be determined that such a Committee shall be formed; and especially that he should watch all Bills proposed by individual Members in the House of Commons. He should, in the first instance, peruse every Bill as soon as possible after its introduction into the House, after it has been printed; he should peruse it generally in connexion with the breviate. When the Bill approached Committee, he should peruse with attention all the amendments proposed by different Members, the greater part of which, as the Committee are aware, are printed daily in the Votes. Their number is very great, and they vary from day to day, by the withdrawal of some and the addition of others; and it would be a very important, and a very arduous portion of his duty to watch with care all these amendments before they were proposed. I should suggest, also, that he should be placed in immediate communication with the Members having charge of these Bills; that he should suggest to them alterations in the proposed amendments, or additions to the proposed amendments, or corrections in the Bills, in order that they themselves might propose amendments when the House went into Committee. I think in that way one great cause of the confusion and inconsistency of legislation would be removed. I know of no other cause which is to be compared with that of the amendments introduced during the progress of a Bill in Committee, and at other stages in the House. The officer should also revise the Bill, as amended at its different stages.

499. When the Bill came into a Committee of the whole House, would you recommend that this officer should be in any way called upon to advise?—I would not recommend that the officer should himself report to the House at all; I think his great service would be rendered by a careful revision of the Bills, and by communicating personally with Members having charge of them, and also with the Committee on Public Bills.

500. And with Members proposing amendments?—And with Members proposing amendments; and I may say, that I believe Members would be very glad indeed to avail themselves of the assistance of such an officer. I have always found Members most anxious to avail themselves of every official assistance provided for them, in matters in which they feel that their own want of experience or want of time makes such assistance desirable; and I am persuaded they would gladly consult this officer, and would endeavour to facilitate his labours, as he would facilitate theirs; and these consultations would tend to improve legislation, as well as to limit discussions in the House.

501. Sir *James Graham.*] Supposing a Member sought to introduce an amendment in Committee on a public Bill, which had passed under the inspection of this gentleman, and went to him to assist him in drawing the amendment, and this gentleman remonstrated against the proposed amendment as inconsistent with the object of the Bill, or contrary to his view of the existing law, either statute or common law, should the Member exercise his discretion whether he would have the aid of that gentleman in the amendment or not?—I think the officer would confer with the Member; but he would at that stage of the proceedings have no authority over the Member in any way. If a Member wished him to draw an amendment, no doubt he would be happy to assist him, still pointing out to the Member having charge of the Bill the inconsistency of such proposed amendment; but I shall propose hereafter, that in such a case the consideration of the matter should be referred to the Committee.

502. Then the Committee of The House is to be made cognizant that this gentleman has objected either in principle or in law to the amendment proposed, and it will come as it were vetoed by him for the consideration of The House?—I should never put him in so responsible and invidious a position as that of objecting to any amendment proposed by a Member. I would merely require him to render his best assistance; but after a Member has resolved to propose an amendment, it is for The House and for The House only, to determine whether such an amendment is admissible or not.

503. The Committee of the whole House would not be cognizant that this gentleman had seen the amendment and objected to it?—Generally not; but there

there may be cases in which the opinion of the officer may be on record, in which event, it will be for the Committee of the whole House to pay attention to that recommendation or not, as they think fit, on hearing the arguments.

504. Mr. *Evelyn Denison.*] The duty of this public officer would be, from what you have pointed out, rather discharged by communicating with the manager of the Bill, and expressing to him any objections which he might have to amendments suggested, and his opinions on those points, giving him the benefit of his judgment for him to make use of it in the House?—Yes; I am suggesting the modes which have occurred to me, of working this proposed system most harmoniously, so as not to bring the officer into collision with Members, or with The House.

505. But would it be part of the business of such an officer to draw amendments for other parties, because we have not assumed that he is to draw Bills?—I should say that his duty would be rather to revise amendments than to draw them, and I believe that I so stated my opinion. But in regard to drawing them, I will merely say that it may frequently be only the question of a few words, or it may be found necessary to suggest a consequent amendment. The officer may perceive that a Member has given notice of an amendment in one clause, but that he has omitted to make consistent amendments in succeeding clauses. Those are the kind of amendments which he would prepare, but not elaborate clauses, I should say.

506. Mr. *Walpole.*] Would it not be preferable that this officer's duty should rather be to advise upon any amendment which an individual Member was going to propose, than to draw the amendment according to the views of the individual Member; he could advise whether it was consistent with the rest of the Bill; but if he was required to draw it, he might tell the individual Member, "It is inconsistent with the rest of the Bill, and yet you can require me to draw it"?—It certainly was not part of my view that it should be the business of the officer to draw amendments. Sometimes these amendments are almost equal in length to the original Bill; his duty would certainly be merely the revision of the amendments, and the drawing of necessary consequent amendments.

507. And individual Members might obtain the opinion of this officer as to the effect of the amendments which they were going themselves to propose?—Yes, but in no case restraining the individual discretion of the Member himself.

508. Mr. *Hughes.*] You think that, with certain exceptions, it would not be expedient that the public officer should communicate to The House his approbation or disapprobation of the Bill?—Yes, that is my opinion.

509. If an independent Member were to bring in a public Bill upon his own responsibility, and according to his own taste, both as to principle and details, what would be the effect of the revision of the public officer when that revision was rejected by the Member bringing in the Bill?—I think that in a case of that sort the Committee which has been so often referred to would consider the amendments proposed by the officer, and would exercise their discretion either in reporting specially to The House upon the subject, which I would give them power to do, or in communicating further with the Member; and that Committee would communicate with The House in various ways.

510. *Chairman.*] You remember this suggestion in the minute of Mr. Coulson and Mr. Bellenden Ker, "The best expedient that suggests itself is, that the officer should, as in the case of private Bills, act in each House as the assistant of a Committee; a Standing Committee (on public Bills) might be appointed at the commencement of each Session for the purpose of the revision of the public Bills (or such of them as might be referred for that purpose), and generally for securing those objects in the way of the improvement of current legislation which are indicated in the Report of the Commission." Have you formed an opinion with regard to that suggestion?—I have.

511. What is your opinion, on the whole; is it in favour of the suggestion there made?—Yes, I am, on the whole, in favour of the existence of a Committee.

512. Will you state your reasons?—I am not insensible to the numerous difficulties incident to the operations of a Committee in matters of this description; but on considering the peculiar position of such an officer in regard to The House, the authority which is always vested in a Committee, the influence of the individual Members composing a Committee, and the facilities

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which Members of a Committee have in communicating their opinions to other Members, and to The House in case of debate, I think that a well-constituted and small Committee will greatly facilitate the objects which the Committee have in view.

513. What would you suggest as to the constitution of such a Committee?—I think that if it were possible, the Committee should not exceed five in number, and that when any Bill came specially under its consideration, the Members whose names were printed on the back of the Bill should be *ex officio* members of that Committee, to attend the Committee, to take part in its deliberations, and likewise to vote, if required. Three would be a sufficient quorum. I think, also, that in all the sittings of the Committee it should be attended by the Parliamentary officer to be appointed, and generally also by the draftsman who prepared the Bill.

514. What functions would you assign to that Committee?—In the first place I would say, that the first object should be that the Committee should revise the Bills without interfering more than was absolutely necessary with their progress through Parliament. Already there are so many obstacles to the progress of any Bill through both Houses, that I think if any system were introduced which added to the difficulties of legislation, it would be a positive evil; and, moreover, I am satisfied that it would not long be endured. If the progress of a Bill, through its different stages, were interrupted by protracted deliberations in the suggested Committee, and by frequent references, and debates, in the House, upon proposed references, the whole experiment would be a failure. I therefore would propose that there should be some Standing Order by which "every public Bill, after the first reading thereof, shall stand referred to the Select Committee on public Bills" without any express order of the House in each individual case, but by virtue of a Standing Order to that effect. This general reference would in no respect interfere with the progress of the Bill. But it should be the duty of the Committee to be in constant communication with the counsel appointed to revise these Bills, and to facilitate the communications between the counsel and the House, and also to exercise a discretion of their own superior to that of the officer, in regard to proposed amendments. The Committee, I should say, could operate upon the legislation of the Session first, by communicating with the Member having charge of the Bill; secondly, by the Chairman moving amendments in the Committee of the whole House or on the Report; and, finally, by a distinct Report to the House upon the entire Bill, where they thought it necessary. It will be observed, that, except in the last case, there would be nothing in the shape of compulsion, nor would the authority of the Committee be interposed between the Member having charge of the Bill and The House; that the operation of the Committee would be voluntary and suggestive. That arrangement, I think, would be specially convenient in some of those mixed cases in which the policy of the law is necessarily concerned, in some measure, in the amendments proposed. In such a case it would be beyond the province of the Committee to make a report upon the policy of the law; but every Member of the House being at liberty to propose such amendments as he thought fit, the Chairman of the Committee or any other Member, but generally the Chairman, might propose amendments without in any way extending or enlarging the proper authority of the Committee.

515. What are the duties which you propose should be assigned to that Committee; to what should their supervision extend?—To the language and the structure of the Bill, and to the machinery of the Bill, separated as far as it can be, from the policy of the measure.

516. You would exclude altogether from their consideration the policy or expediency of the measure?—Yes, otherwise the sittings of the Committee would probably be interminable.

517. Mr. *Walpole.*] In order to give weight to that Committee, you would of course select some of the most experienced and able men in the House?—Certainly that would be my suggestion. Such a Committee might be very effective.

518. Considering the number of Bills which are brought into the House, especially at the commencement of the Session, do you think that the Members of such a Committee, having other duties to discharge in the House, would be able to give time enough to supervise and to revise all the Bills which would then be submitted to them?—In answer to that question, perhaps it may be convenient

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convenient for the Committee to have some estimate of the number of Bills and the degree of revision required, in regard to different classes of Bills. I observe in the Second Report of the Statute Law Commission, in which the classification of statutes is spoken of, that the statutes of 1855 amounted to 1,005 pages; of these, 335, or one-third, consisted of Acts relating to the army, the navy, the militia, and the revenue. That is a class which would be at once excluded from the consideration and revision of the Committee and of the officer. I believe they are almost all of them transcripts one from another, year after year; if any errors are detected, they are rectified in the new draft for the ensuing Session; but as for any effectual supervision of such Bills, I hold it to be altogether superfluous. I think it is probable that many of them may hereafter be drawn with more skill and precision than they are at present, following the example of other draftsmen, who I hope will greatly improve in their art; but I do not think that the Committee need anticipate any trouble in the revision of those Bills, in the first instance. Then, of the remaining 670 pages, probably from 450 to 500 would be Government Bills, the supervision of which also, I think, would be comparatively light. I believe that the main labour of the Committee would be in revising the Bills brought into Parliament by individual members. I conceive that, considering the great skill and care and experience of those who are charged with the introduction of Government Bills, comparatively little aid is to be anticipated either from this officer or from the Committee; there would be none, in fact, but the addition of other trained and practised minds, whose attention should be mainly directed to the improved phraseology and structure of Acts of Parliament.

519. The passage in the Report to which you have referred relates, I believe, to the Acts which have passed, and not to the Bills which have been brought in?—Certainly. I stated that it was in reference to the Acts, and that gave one the means of arriving at the proportion which would be at once excluded from the consideration of the Committee. But I have also prepared a statement of the number of Government and other Bills introduced during the last three Sessions into Parliament, with certain circumstances which perhaps the Committee ought to be acquainted with. The total number of Bills brought into the House of Commons in the Session of 1854 was 177. Of these, 67 were brought in by independent Members: that is rather more than one-third. In 1855, 197 Bills were introduced. Of these, 75 were introduced by private Members: again more than one-third. In 1856, 177 Bills were introduced, and 64 of these were also by private Members, bearing the same proportion of rather more than one-third. With regard to the time at which these Bills should be revised, it was asked what proportion of the Bills brought in failed to pass. I have also paid attention to that point; and I find that, out of the 177 Bills brought into the House of Commons in 1854, 65 failed in passing, which is more than one-third; that in 1855 there were 197 Bills brought in, of which 85 were not passed, being two-fifths; that in 1856 there were 177 Bills brought in, of which 77 did not pass; the proportion which did not pass, amounting to more than three-eighths of the whole. The proportion of Government Bills which did not pass is very small. The great proportion of failures is in the case of individual Members.

520. Mr. *Hughes.*] You have grouped together Government Bills as well as the Bills of independent Members which have not passed?—Yes.

521. Mr. *Walpole.*] But the Bills of what are called independent Members are the Bills which would give most trouble, either to the Committee or to the public officer, are they not?—Yes; the Bills brought in by independent Members I apprehend would require most revision.

522. And they are the Bills apparently most rejected?—Certainly.

523. Mr. *Hughes.*] Are you able to state the number of Bills brought in by independent Members which passed the House in those three Sessions?—I am. In 1854 the total number of Bills brought in by independent Members, as I have already stated, was 67; of these, 43 were rejected or failed in passing; they did not receive the Royal Assent. In 1855, 75 Bills were brought in by private Members, of which 53 failed in passing. In 1856, 64 of such Bills were introduced; of which 46 dropped or were rejected.

524. Are you able to state how many Bills by independent Members passed more

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more than the first reading?—No, I have not analysed the matter with such minuteness as that; it could be done, if the Committee desired the information.

525. Do you not think that would be important with reference to the stage at which the supervision of the officer should take place?—No, I think scarcely so; for I apprehend that if the revision is to be effective, it must be commenced at a very early stage of the proceedings, otherwise the officer would be totally incapable of keeping pace with the progress of the Bills at later stages, especially towards the end of the Session, when most of the Bills are advanced, and advanced with such rapidity that, unless he had well paved the way, it would be quite impossible for him even to read the Bills.

526. Then your impression is, that the supervision should take place before the first reading of the Bill?—No, not before the first reading; the Bill would not be in print before the first reading.

527. Then upon the first reading?—After the first reading, when the Bill is printed, then would commence the revision. I should state in reference to this enumeration of Bills, that the returns which I have read to the Committee do not include the Bills from the House of Lords, which must be added. The total number, in 1854, of Bills brought from the Lords to the Commons was 26; of which 17 passed, and 9 failed. The number in 1855 was 28; of which 8 were not passed, and 20 received the Royal Assent. In 1856, 25 Bills were brought from the Lords, of which six were not passed, and the remaining 19 received the Royal Assent.

528. Mr. *William Ewart.*] Were those Government Bills?—Chiefly Government Bills, but both descriptions.

529. You would have these Bills submitted to the proposed officer immediately after their first reading?—Immediately after they are printed.

530. At the first reading the general principle of the Bill would not be affirmed by the House; that would not take place until the second reading; would there be any use in referring a Bill to the officer, of which the general principle had not been affirmed by the House?—I do not regard that objection as one of much importance; the officer has nothing whatever to do with the principle of the Bill; that is excluded from his jurisdiction; it is for him to see that the Bill is properly framed, and he must apply all the time at his disposal for that express purpose.

531. Is it not useless labour if the Bill is rejected?—So is the labour of drawing the Bill, and making a speech upon its introduction, and all discussions in the House which lead to no result.

532. Mr. *Evelyn Denison.*] I understood from the last witness that he thought that to preserve uniformity in the Bills brought in by the different public departments would be one of the great objects of this scheme; that as these Bills are drawn by separate draftsmen for the separate departments, to keep the law uniform, and to see that the Bill brought in by one department did not trench upon some other Act which more particularly belonged to another department would be a great portion of the duty of this officer?—No doubt it would, inasmuch as the Bills brought in by the Government, as I have already stated, very much exceed in number those brought in by private Members; but, at the same time, I do not think that the same amount of revision and caution would be required; and the officer would have more efficient assistance in his revision, on the part of the Government draftsmen, who are not many in number.

533. For the Government Bills, which form, in the present day, the largest portion of the legislation, do you think such an officer as is proposed is required; if his duties are so light with respect to Government Bills that they do not occasion a very great amount of trouble, do you think that with some more simple machinery, and some little more pains taken at the fountain head, the duties of such an officer might be spared for the Government Bills?—I have already stated, and I wish to repeat my opinion, that, as regards the supervision of Government Bills, I do not anticipate any very great value from the services of such an officer, at all events, as compared with his influence upon the legislation of private Members. The Government Bills are now prepared by a small number of draftsmen: and Mr. Coulson has stated to the Committee that a great proportion of those Bills which are not drawn by himself, are revised by him. I think that if such an officer were considered to be necessary, he would be in communication with all these draftsmen; that they would consult him at different

different times during the progress of the Bill, and that there being one officer common to both Houses, and conversant with the whole legislation of the period, uniformity would be, to a certain extent, secured. But as regards the legal efficiency of the provisions brought in, I certainly think that the main responsibility ought still to remain with the Law Officers of the Crown, and with the political heads of departments.

534. If you exclude from the duties of this officer to a considerable degree the public Bills, and it appears that there are only about 20 Bills of those introduced by private Members which pass in the course of a Session, the appointment of this officer, and the appointment of a Committee to assist in action with him would be limited in a great degree to a very small number of Bills? —I can scarcely arrive at that conclusion myself, from the evidence which I have already given. I should rather state this to be my general conclusion, that although his attention would be directed to the Government Bills, as well as to the Bills brought in by private Members, we can scarcely anticipate that so marked a result would follow from his revision of the Government Bills, inasmuch as those Bills would have had greater care and attention devoted to their original preparation than is the case with Bills brought in by private Members. At the same time, I consider that the addition of any practised mind to the work of legislation would, in nearly all cases, be of some appreciable value.

535. Sir *James Graham.*] Government Bills cover, as you have stated, the naval, military, and fiscal administration; and the Home Office Bills embrace all the great changes proposed by the Government in the criminal law or in the civil law; those Bills, you say, are drawn by the master-hand of Mr. Coulson generally, or by the most experienced draftsmen in the different branches; upon that ground you do not think supervision practically necessary; there remains therefore only a very small proportion of measures, namely, measures introduced by private Members, and you have stated the numbers. Applying what you have stated, do you not think that Mr. Rickards has time sufficient to exercise the supervision, which you say is mainly necessary, over the Bills introduced by private Members?—I think that if the House should not expect too much in the way of revision, and should not expect that Acts of Parliament are suddenly to become perfect, the attention of the counsel to the Speaker would be a material assistance to the legislation of the Session.

536. Would it not be prudent before you constitute a new and expensive office, at all events to try whether the effectual superintendence of the officer whom you now have, to whose time you are entitled by his salary, would not be sufficient?—I confess that, in my opinion, the scheme should be, in the first instance, experimental.

537. Can you suggest any better mode of doing it than entrusting to Mr. Rickards the duty in question?—No, unless it were found possible to bring to the same service, the counsel to the Chairman of Committees in the House of Lords.

538. Is Mr. Palk a barrister?—He is a barrister, of very long standing; upwards of 30 years' standing.

539. Considering that we have at this moment in the two Houses three barristers of eminence, with large salaries, namely, Mr. Rickards in the Commons, and two in the House of Lords, Mr. Palk and Mr. Bellenden Ker, do you not think that, by some adjustment on the part of the Lord Chancellor in the House of Lords, and the Speaker in the House of Commons, such supervision as you would recommend might be effected, at all events for the purpose of experiment, without the appointment of a new officer?—I think that is a very important suggestion, and well worthy of consideration.

540. Mr. *Dunlop.*] When a Government Bill has gone through Committee, and a considerable number of amendments have been made in it, do you know whether it is the practice to submit it again to the draftsman of the department, that he may revise them?—When amendments are proposed to Government Bills, they are printed and brought under the notice of the Minister having charge of the Bill, who also consults, as much as he thinks necessary, the draftsman of the Bill, in order that he may be advised how far he should accede to certain amendments, and how far he should resist them; and no doubt the responsibility of acceding to any of those amendments is with the Minister in the House representing the department of the Government, and it would still continue so, in my opinion, even if this new scheme should be introduced.

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541. Mr. *Locke King.*] You recommended just now that the Members whose names were on the Bill should be Members of the Committee; would it not be necessary to limit the number of Members' names on the Bill?—It very rarely exceeds two; in some few instances there are three or four. If it was thought that two were sufficient, it might be arranged; but in nine cases out of ten you will find no more than two upon the back of the Bill, and I think that those two would very properly become *ex-officio* Members of the Committee, and would be of great assistance to its deliberations.

542. Do you think it would be better to limit the number to two?—There might be a strong case, of course, of five Members being about to bring in a Bill, and the whole of those five Members attending the Committee; but I think the simple plan would be for The House to order a Bill to be brought in by two Members only.

543. Mr. *Hughes.*] Or to provide that the first two named on the Bill should be taken?—Yes.

544. Mr. *Evelyn Denison.*] You have not told us whether you propose that this Committee shall speak through its Chairman only in the House of Commons if there is any question upon which it is necessary for the Committee to give an opinion; would it speak through its Chairman, or in what way?—I stated some time since the various ways in which I should suggest that it might communicate with the House. One of those modes, as perhaps the Honourable Member may recollect, was a special report to the House upon the Bill. I can conceive many cases in which, after communicating with the Member having charge of the Bill, the Committee might entertain most decided objections to the whole structure of the Bill and to its machinery; and the Member might not acquiesce in their views, but might persist in proceeding, without the necessary amendments, with his original Bill. In such a case I think a report from the Committee ought to be presented to The House, explanatory of their views upon the subject; that report would be printed and circulated, and then either the Chairman of the Committee, or any other Members, could enforce in the House the adoption of the views of the Committee.

545. That is an extreme case?—That is an extreme case, which probably would not occur three times in a Session.

546. In the ordinary course of affairs, how should you propose that the Committee should communicate their opinions to The House?—I think by the Chairman of the Committee giving notice of amendments in Committee of the whole House upon the Bill, and then stating that the amendments which he proposed had been agreed to by the Committee, of which he was the Chairman.

547. Would you close the mouths of any Members of the Committee who should happen not to agree with the majority?—Not in the slightest degree; I would close nobody's mouth; I would leave every Member at full liberty to debate the whole merits and provisions of the Bill.

548. Do not you think that to conduct a Bill efficiently through Parliament the first great object is that it should be well drawn, and next, that the undivided and individual responsibility of some single Member should be especially directed to watch it in its progress?—Yes.

549. Do you think that there would be a danger of diminishing that responsiblity if you were to throw any portion of this care upon a Committee?—I confess that I do not myself apprehend any such evil consequence.

550. Sir *James Graham.*] Must not the structure of the Bill very frequently run into policy?—No doubt it is delicate ground, and that will be frequently found by the Committee, and by the officer.

551. How do you propose that this standing Committee should be appointed; do you propose that at the commencement of the Session it should be moved by the Leader of the House of Commons?—It is open for consideration whether that Committee should be appointed, like the general Committee of Elections, by the Speaker, or by the Committee of Selection, if it were thought advisable; or whether it should be proposed, as is suggested, by the Leader of the House.

552. Have you a strong opinion on that point. If it were moved by the Leader of the House of Commons, it would have more or less a political character?—Yes; I think that should be avoided. I think it would be better

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appointed by the Speaker, or by the Committee of Selection; I think either course would serve the purpose very well.

553. The Chairman of the Committee of Ways and Means is a salaried officer?—He is.

554. Do you not think that the Chairman of the Standing Committee would have more onerous duties than the Chairman of the Committee of Ways and Means apart from his duties in the House?—Apart from his duties in the House; but, in my opinion, the duties of the Chairman of Ways and Means are the most laborious connected with Parliament, because he has the duties connected with private Bills, as well as his very laborious duties in the House.

555. If you had as Chairman of that Committee a person exercising very great authority dealing with the whole legislation, or with the most important branches of legislation in the Session, would not his time be occupied throughout the morning; and would he not be almost disqualified for any business in the House in the evening?—I scarcely anticipate so entire an absorption of his time by this duty. I should say that the Committee would meet not more than twice a week; probably three times a week towards the end of the Session; and that by far the greater labour would be imposed upon the paid officer of the House.

556. Mr. *Hughes.*] But would he not be obliged to attend in the House on Wednesdays, when the Bills of private Members were in progress?—No doubt it would be necessary for him to attend when the Committee had proposed that any amendments should be adopted; but in my opinion, in nine cases out of ten, the Member in charge of the Bill would only be too happy to avail himself of the suggestions of the officer and of the Committee.

557. Sir *James Graham.*] I collect that upon the whole your opinion is, that the Government measures are well drawn, the larger portion of them being drawn by one hand, and that the experienced hand of Mr. Coulson; and, where he is not employed, drawn by the most able draftsman which the different branches of the Executive can find most conversant with the subjects. Can you contemplate upon the whole better drawing than that system would accomplish or has accomplished, and wherein is the necessity of this supervision, except upon the assumption that the work is ill done, whereas you would say that it is well done?—Merely in regard to uniformity; I think that there are still many Bills brought in without sufficient communication between the different departments, and also with Members having charge of Bills, referring to the same subjects of legislation as the Government Bills.

558. How can you attain uniformity with respect to these Government Bills, excepting by close supervision which you think is not necessary, and the correction of the drawing of such men as Mr. Coulson?—I would submit that I have not expressed any opinion that no revision of these Bills is necessary; but no revision, so far as regards the legal efficiency and operation of the Bills. I would still say that all Government Bills might be fairly subjected to the revision of language, and verbal criticisms, which would be the special province of the proposed Committee and officer.

559. I had not the advantage of hearing it, but I am told that a most competent witness, Mr. Bellenden Ker, has suggested that Mr. Coulson is the fittest man to exercise this supervision if a new officer is appointed; will you bear in mind that he is the draftsman of the Government, and actually now draws the Bills; would his supervision be more efficient than his drawing, his drawing being paid for by a large salary?—No; only his duties would be of a different description. I have not ventured to suggest who should be appointed; but we will assume, as the suggestion has been made, that Mr. Coulson were appointed; I say that the duties which would then be imposed upon him, would be of a different character from those which he has now officially to undertake. He has to prepare Bills, and he also revises some, the work of others. If he were engaged in Parliament, his sole business would be to revise the work of others, in communication with the suggested Committee.

560. Mr. *William Ewart.*] Besides the suggested amendment of clauses, would not the object of such an officer be to promote uniformity of law, uniformity of language, and simplicity of construction in Acts of Parliament?—Certainly; that would be one of the main objects, as I imagine, of his appointment.

561. Sir *James Graham.*] Is that more easily attained by the supervision of

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one man than by the actual work of the head and hand of one man, as in the case of Mr. Coulson, with regard to the different Bills introduced by the Government year by year?—Whatever force there may be, at present, for the drawing of Acts of Parliament, that force would continue under the new system, with the additional assistance of the officer appointed here; no portion of the present efficiency would be diminished.

562. Mr. *William Ewart.*] There would be one superintending mind, would there not, in that case?—Yes; of course each Member of the Committee will form his own opinion as to the value of the supervision.

563. *Chairman.*] As I understand you, besides this advantage, which you think there would be to a certain extent in the case of Government measures, there would be, in your judgment, a decided advantage with regard to the whole class of measures brought in by private Members?—Certainly.

564. With regard to the classification of the statutes, you are aware that the Second Report of the Statute Law Commission discusses that subject also, and points out the importance of having an improved classification of the public general statutes?—Yes.

565. Are you of opinion that such an improved classification is highly important?—I think it would be a great improvement hereafter to the Statute Book.

566. For the reasons set forth by the Commissioners in their Second Report?—Yes; and also for another reason: I think it would have the effect of improving the current legislation. In classifying these Bills according to such a scheme as may be devised, the attention of the officer would be particularly directed to the operation of each Bill, and doubts would no longer arise as to whether a Bill was intended to apply to the United Kingdom or to England or Scotland only.

567. If such an officer as is proposed were appointed, for the purpose of revising the current legislation, do you consider that the same officer might, with advantage, have this duty of classification entrusted to him?—Certainly; and the addition to his labour would be very small; for each Bill could be referred to its class with very little difficulty; in fact, the labour would be scarcely appreciable in addition to his other duties.

568. At the same time securing an important advantage?—Certainly; and I think that the process of classification must take place at an early stage, while the Bill is proceeding, in order that instructions may be given to the Queen's printer, so soon as it has received the Royal Assent, to print it in the proper class of statutes for the year.

569. You said that, as an experiment, you thought we might try the counsel to the Speaker, and the counsel in the House of Lords, as officers for this purpose: do you contemplate the employment of any staff under them?—They would undoubtedly require additional assistance.

Veneris, 6° *die Martii*, 1857.

MEMBERS PRESENT.

Mr. Dunlop.	Sir FitzRoy Kelly.
Mr. William Ewart.	Mr. Locke King.
Sir William Heathcote.	Mr. Attorney General.
Mr. Henley.	Lord Stanley.
Mr. Hughes.	Mr. Walpole.

SIR WILLIAM HEATHCOTE, BART., IN THE CHAIR.

George Coode, Esq., called in; and Examined.

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570. *Chairman.*] YOU have, I believe, paid considerable attention to the subject upon which this Committee is at present engaged?—I think I may say I have attended to it ever since the commencement of my legal studies. I was very early satisfied that the greater number of the difficulties in law resulted from

from its ambiguous statement, and the confusion in which enactments or decisions are found; and my mind has been intent upon that subject, and upon the operations which would tend to remove the evil, I may say, ever since I began my legal studies. I have also been largely engaged in the preparation of Acts of Parliament and amendments, and have written a good deal on the subject. I have taken the liberty of placing in the hands of the Committee a somewhat early work by myself upon "Legislative Expression."

571. Will you state to the Committee the evils which you have chiefly in view, and the remedies which you propose to apply to them?—To-day I should propose to confine myself to the matter which I understand to be before the Committee, namely, the disorders in "the Manner and the Language of Current Legislation." The evils are almost too universally agreed upon to require at my hands any statement of the disorder in which our statute law is:—its multifariousness, resulting from the accumulation of statutes framed with very different views:—the internal arrangements of Acts of Parliament, which are extremely disorderly;—the prevailing looseness of expression,—and the liability to have an Act in its expression and in its order confused by sudden amendments. Such things as those have been so commonly dwelt upon, for so long a time, and are so universally recognised, that I should hesitate to occupy any time in dwelling upon that part of the matter. I take it that it is universally agreed that the statute law is in a very disorderly state; its provisions are multifarious and confused and conflicting, and I think I have no better examples to offer of it than are afforded, I should think, by the experience of every person who is at all conversant with the matter. I have occasionally had to point out cases in which whole Acts, and very important ones, have failed of attaining their purposes, and other cases in which main provisions of Acts necessary to their due action have been so framed that it has been impossible to carry the Acts into effect. As an example, in a paper before you prepared to be prefixed to the second folio volume of the Digest of Local Taxation, a Parliamentary paper presented to both Houses in 1842, I gave instances of the complete frustration of Acts intended to impose taxes in various ways, and of the complete failure to realise the proper Incidence of those taxes upon the Persons intended to be liable, and so as to the Properties intended to be liable; also entire failures to give the requisite Protections to the persons charged, and a number of unintended failures to give the Remedies intended to ratepayers and other persons. It is too long, I think, for me to read.

572. Perhaps you will proceed to inform the Committee what remedies have suggested themselves to your mind of application to this admitted evil?—As I desire to make a very restricted statement, confined to the subject of the Formal Remedies for an evil which is itself entirely Formal, and not to go into many different questions which have been brought before the Committee in their previous proceedings, perhaps I should connect my own statement best, and give a better opportunity to the Members to put such questions to me as they may think fit, if I were to read a short summary of the proposals which I have to make, which I have put into Mr. Baines's hands. If I might be allowed to read that, and to put it in as a general statement, I think it would facilitate what I shall have to say in detail, and connect it. My suggestions are these:

[*The Witness read as follows:*]

THAT the Revision of Bills, for the purpose of "improving the Manner and Language of Current Legislation" should consist in the ascertaining and the reporting to the House, upon every Public Bill;—

—1. What Public Statute is modified or repealed by each clause,
and whether the necessary References or Repeals are definitely made:
(omitting all references to the other Effects of the Bill, and to the Comnon Law):—

—2. That the Bill is satisfactorily expressed:—

—3. That the Order of its enactments is satisfactory.

THAT the labour of such Revision is purely clerical;—
and should be performed by a Clerk of the House;—
—exclusively subservient to the whole House;—
—and communicating with the House, through the Chairman of Committees.

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THAT to carry the object into effect, in the first instance, the House should resolve,—

—1. "That a Revising Clerk be appointed to perform such duties:

—2. "That no Public Bill be moved into Committee [nor any amendment moved] "until it have been submitted to the Revising Clerk, with the name of a Member or "other person responsible for the Draft of the Bill [or amendment] with whom the "Clerk may communicate thereon,—
"nor until such Clerk have reported thereon:

—3. "That no Motion shall be made that such Bill do pass, until the Revising Clerk "have reported thereon.

—4. "That all Communications from and to the House, with the Revising Clerk, be "made through the Chairman of Committees."

573. Mr. *Henley*.] Did you say the manner or the matter of legislation?—The manner; that is the subject referred to the Committee. As to the matter, I should not venture to offer any suggestions, seeing that the great Council of the country, Parliament itself, is abundantly furnished with the means of supplying the matter of Bills, and the mischief now under consideration is not material, but only formal.

574. How do you connect the "manner and language" with the repeal of statutes; that is matter, is it not?—When two statutes or two provisions exist upon the same subject, in any way thwarting each other, or even additional to each other, it is a question of multiplication of "language." There are two expressions, of different periods it is true, but more or less bearing upon the same matter. These, if they were connected together in one Act, would only appear to be repetition;—it would only appear to be confusion. It is no less confusion if it occurs in two Acts.

575. That would be assuming that the new Bill was exactly a re-enactment of the same subject, and doing the same things?—Undoubtedly. If it did not bear upon the same subject no rule relating to repeals could operate. If it did bear upon the same subject the rule would be in operation—either to make one combined statement, if there were different matters in the two provisions,—or to repeal one of them, as superseded by the other.

576. Surely that would come more under the true definition of the matter of the statute than its manner or language, would it not?—It applies to the prevailing "manner" of current legislation. Adding a fresh patch, to cure a defect of some previous legislation, is one manner of legislation;—the making a completed, connected, condensed statement of the matter now to be enacted with the original matter into which it is to be interpolated by construction, if not in the framework of the Bill, is another manner of legislation;—the two contrasted manners of legislation are the things which I propose to bring into contradistinction, and for which I suggest these methods as, in some measure, a remedy. It is this present "manner" of legislating again and again upon parts of a subject which has some wholeness and connection in itself that leads to the accumulation of superfluous matter and the multiplication of nearly identical provisions:—provisions which are scarcely to be distinguished one from another except in the accidental variation of terms,—frequently in the later Act worse than in the previous Act,—to be found by anybody who searches through the Acts bearing upon any one subject. In a Digest which I have made of the Poor Laws of England, what I must call "the alternative provisions" to effect the same thing amount to as many, I think, as seven in one instance, but there are constantly two or three; they are constantly occurring, presenting a very great difficulty of finding out any practical, any intentional, any conscious difference in the intention of the draftsmen. The result is, that there are two or more provisions of the law upon the subject, not aiding one another and difficult to construe. That is our present "manner" of legislation; our "manner" is to add instead of to collect and to combine. I think that may fairly be said to be the "manner" of legislation.

577. Then am I to understand you, that when you use the word "manner" in that sense, you entirely exclude all those cases in which there is any change of matter?—Decidedly. I do not, in the least, presume to offer a word upon the mode in which the "matter" of a Bill is to be ascertained. The "matter" of a Bill is to be provided by Parliament, and depends upon the discretion that Parliament shall use as to the matter which it shall put into the Bill. I only propose to suggest means by which the requisite clerkship and draftsmanship may

may be made to apply itself flexibly to all the cases of Legislation;—to the expression of all that the discretion of Parliament may propound to the draftsman. I have no suggestion whatever to offer upon the subject of the "matter" of the Bill, or the discretion which Parliament may use in the adoption of matter good, bad, indifferent, absurd, capricious, or whatever it may please. I take it that "the Language and the Manner of Legislation" have nothing to do with those things. I think, indeed (and you constantly find it to be the case), that in the attempt to draw a Bill well, including the whole of the matter upon the subject, and putting the matter in a proper order, there is a great tendency to exclude impertinence of matter; there is a great tendency to produce uniformity of view,—as it were, unity of thought,—throughout. The persons who read the Bill are compelled by its mere order of expression to see if there be unintended, inoperative, purposeless sentences; that there is perhaps a want of congruity, a want of analogy; and undoubtedly I do think that indirectly,—but not as the proposed or the professed purpose of the thing—a proper order of expression in a Bill is a great means of excluding such matter as ought not to be within the Bill, and also is an equally useful means of suggesting analogous matter, the want of which constantly causes a measure to be frustrated. In those instances to which I have referred in the document to which I have alluded, the main failures arose from the draftsman not seeing that certain things were necessary to the full operation of the measures which, if he had displayed those measures in an intelligible and systematic and logical order, would almost necessarily have suggested themselves to him. I do think that, whether to avoid mischief or to get together such things as are necessary to the clear and simple action of a measure, the proper order of expression is a means. But I do not in any way propose this as a means of controlling Parliament, but only as being subservient to the purpose of Parliament to provide the most efficient means for carrying into effect whatever the measures are which it passes. But this is an indirect operation which I should not have chosen to dwell upon.

578. That is to say, that if you could devise any means by which language could be rendered perfectly definite, and so arrive at a meaning which all men would agree to be conveyed by that language, it would be a great improvement in framing our Acts?—Undoubtedly. A great deal of the mischief which is caused in legislation arises from the difficulty of expressing one's self according to one's intention.

579. How much of the confusion which you state to exist arises from the draftsman attaching one meaning to a set of words, and courts of law, when the matter comes to be litigated, attaching another; is that one of the sources from which great inconvenience arises?—It is. I cannot say how much, not having taken any pains to examine the proportion; but I may say that it is notorious that a great deal of it does arise from such a cause.

580. We will take a case which occurred, I believe, not very long back, namely, the famous discussion upon the "shall" and the "shall have" in the Removal Act about residence. That Act was introduced by the Government, prepared, no doubt, by a competent draftsman, and the Attorney and Solicitor General for the time being gave an opinion upon it, I think; but the courts of law absolutely turned that opinion over; was not that so?—That was quite so. I think I may say as to the history of the Bill, that the Bill as drawn, —having been originally drawn by myself,—afforded no ground for any such dispute; it involved no such ambiguity. I had ceased to have the control of such matters at the time the Bill was introduced, I think, a second time; I am not quite sure about it, but it was at a late stage, and alterations were made, I should say, not by a competent draftsman. The opinions of the law officers were taken, after the Bill had passed, upon its operation.

581. Upon the Act?—Yes. The Act as passed was ambiguous; it was doubtful in interpretation, and I should not have drawn it as it was passed. There was, I think, fair room for a difference of opinion upon the effect of the Act between the law officers and the Judges. I think there was an incurable defect in the Act which required an authoritative decision. It most constantly occurs, that where the terms of an Act are obscure and in themselves ambiguous, views will differ as to the utility of one or another of alternative constructions; and in the position of law officers of the Crown advising the department interested in giving effect to the measure, one may easily conceive that the bent of their minds will

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be towards one interpretation, a practical executory interpretation; whereas courts of law may take another view, perhaps, protective of some persons out of the department. In fact, it is impossible to enumerate the causes why they should differ, but it is reasonable that they should differ in such cases. Wherever there is ambiguity in the frame of an Act, there will be legitimate occasion for a difference of opinion as to its intent. Of course the cure for that, so far as it is curable, is in the securing a means of simple and unambiguous drafting, which must always depend greatly upon the ability of the draftsman employed. Some few rules can be applied to it. I have always thought that mere simplicity in the order of a sentence, as I have expounded in a tract which I have put into the hands of most Members (on Legislative Expression), is a great means of avoiding ambiguity; not an infallible means, but, according to the intelligence and the analytical habits of the draftsman, an effective means of avoiding ambiguity.

582. Mr. *Attorney General.*] I believe it is only in late times that what are called interpretation clauses have been introduced?—Yes, very lately. I should say that there are examples few and far between of attempts at legislative interpretation under the name of "declaratory" provisions, but that thing which is known as an "interpretation clause" is quite a modern invention.

583. Do you think it would be a useful thing to prepare a statute which on the principle of an interpretation clause should endeavour to give a definite legal vocabulary?—By no means. I think it is quite impossible to frame by anticipation, any interpretation clause that shall give to terms meanings which shall adequately correspond to all the legislation that will follow.

584. Do you not think that many generic expressions might be introduced?—Generic expressions are undoubtedly useful if they be truly generic,—that is to say, if they be terms or names for classes of things which are truly allied by analogy or identity of species. Such generic expressions already exist in our language as well as in every other, perfectly adequate for that purpose. I take it that, for generic expressions, the common appellatives of our language are the very best which can be used.

585. Does it not appear to you that in the phraseology of modern Acts of Parliament, there is a great deal too much specification of particulars?—A great deal, undoubtedly.

586. Then would not the statute which I have mentioned, by introducing the definition of generic terms, save that specification?—I submit not at all. The specification is resorted to with a view to make provision for the things specified,—the species as it were. There are different provisions for the different species of the things falling under the generic term. The mere use of the generic term defined as suggested, would never be legislatively applicable to the special provisions—that is to say, to the sub-divisions of the matter coming under that generic term. But I do think it is of the very first importance that all Acts should be so arranged, that matters which are generically connected should stand in the order of their connection; that the more extensive—the general—provisions applicable to the more extensive classes should stand first, and that the special differences should be taken in succession in their order; the generic expressions first made running over the whole of those species, and thereby in very many cases avoiding the necessity of specific repetitions. In that way we should get the benefit in each several Act of the highest generality in the general expressions, and the due extension without express repetition of all that general matter to the several species which have to be treated afterwards according to the exigencies of the Bill. In the occasions of legislation there are enactments which apply differently to the different classes which would be affected by the general expression. In all such cases, to exclude specific legislation; to exclude provisions for things which do specifically differ, to bind them up in the generality of a general expression, so as to make no differences in the conditions of persons and no legal differences in things naturally different, would be a very arbitrary, and despotic, and impracticable, and speculative kind of legislation. I think that all which the Honourable Member adverts to as being desirable in the way of generic expression, would be got by securing the due order of matter in a Bill by which the most general provisions would stand first and by their collocation clearly cover all the special matters which would follow at the same time with the specific enactments that are applicable to those special matters. In this way a great deal may be done in every Bill.

587. What

587. What was the characteristic of our ancient statutes; did not they lay down a general rule of law, to be afterwards applied judicially?—Not a general rule. They very much had the character of providing for a case that was then before the mind of the legislator in terms general enough, very often, to cover a great many more cases. But I should say that the more common character of ancient Acts of Parliament is, that the terms of the Act apply *nominatim* to a case, even now and then to a person (—"in the affairs of the Bishop of Norwich"—and similar cases), but extended by construction to all the cases which the Judges saw to be within the purview of the statute, within the mischief redressed, the remedy given. It was the practice of judicial construction to give, according to the apparent utility of the provision, the extension which might be fairly given to it in a like case. I think that is rather the character both of ancient legislation, confining my remark to English legislation, and of ancient interpretation.

588. Has not a great deal of difficulty arisen from modern statutes defining in terms, powers and authorities which shall be enjoyed by certain officers, and might not a statute be introduced, declaring beforehand that certain powers and authorities shall be attached to certain offices, so as to render the repetition of those powers unnecessary?—I think that the powers of an officer should in every case depend entirely upon the work which is cut out for him to do.

589. Take a churchwarden, for example?—A churchwarden one year has such and such Duties to perform; in another some others are accumulated upon him. The Powers of churchwardens have also followed the Duties that were imposed upon them, and the courts have generally, when the exercise of their Powers has come into operation, given a construction of the authority of the officer which bore out all reasonable acts of his in pursuance of the duty imposed upon him. Powers, I think, should only follow Duties; according to the duties which you impose upon the officer should be the Powers which you give to him and the Responsibilities to which you expose him. Powers are constantly quite uselessly given, merely following precedents, while Responsibilities, very applicable to the case, are constantly omitted; others again are retained which are wholly nominal, as having nothing to work upon. An attempt to anticipate the Powers which shall be given to any officer, whatever name may be given to him, would be, I think, quite fruitless,—inasmuch as the powers would be altogether wrong and wholly disproportionate to their purpose and to the occasion if they did not in every case fall in with the thing which the officer had to do, the Duty which was imposed upon him, and the Objects for which his office was instituted.

590. Do you think that in the general statute to which I was referring any rules might be advantageously introduced for the purpose of determining what expressions shall or shall not render a statute retroactive?—The retroactive operation of statutes is a thing generally so objectionable that I should prefer that the jealousy of Parliament should exist as it does now, to watch all retroactive effects, and that these should be in all cases limited to the necessities of the occasion. Retroactive effects have the character of exceptional legislation—of legislation which could not govern the conduct of the persons at the time that they acted, and which is to be watched with great jealousy. I think there is no rule but to be jealous of retroactive provisions.

591. Mr. *Walpole*.] With reference to what you said as to an Act of Parliament which had been passed, where an ambiguity had arisen, and the law officers of the Crown had given their opinion contrary to the construction afterwards put upon it by the courts of law, you mentioned, I think, that certain alterations had been made in that Bill: were they made in Committee of either House of Parliament?—No. The alterations which, upon looking at the Bill afterwards I most objected to, were made by a clerk in the Poor-law Commission, upon somebody's suggestion. The Bill had been framed with very great closeness. A Member of this Committee, Sir James Graham, then Home Secretary, said that it was as hard to read as Euclid. It was in a matter upon which great discussion, opposition, and litigation had for centuries taken place upon every ambiguous expression. The purpose in the original framing of the Bill was to exclude the possibility of a doubt by removing from the enactments every superfluous syllable; it was drawn as dryly as possible. The style did not suit some gentleman who interpolated a little, to give it the

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phraseology, as he thought, of Acts of Parliament, and amongst other things, I believe, he put into a wrong place a "shall."

592. Did that alteration lead to the ambiguity?—It did entirely. I discussed the matter with Sir Edmund Head and Sir George Lewis, when I met them some time afterwards; they looked at the draft, and they regretted that these absurd alterations had taken place.

593. Supposing there had been an officer, such as that which has been recommended to the Committee, to assist the deliberations of both Houses of Parliament in framing Bills, might it not have been probable that that very alteration which led to the ambiguity would have been avoided?—I presume that it would. I think that no competent person accustomed to accurate drafting would have admitted it.

594. Mr. *Henley*.] You have stated that as to a given Act of Parliament, a distinguished Member of this House said that it was as hard understood as Euclid?—Yes.

595. I suppose you consider that Member of Parliament as pretty competent to understand Acts of Parliament?—Admirably.

596. Is it your opinion that Acts of Parliament upon very many subjects ought to be capable of being understood by the great body of the people?—Undoubtedly they all should. And in this case this dry style was only adopted, inasmuch as it was a question of litigation. It was not a question of common rights and common obligations, but the enactments were to govern courts of law, though they were subordinate courts, namely, justices. Strict, dry and technical language, such as lawyers, practising barristers and others could not fail to interpret, was what was required in that case. Generally such dry drafting, I think, would be a most vicious style, inasmuch as it certainly would not be intelligible to the many. The purpose I take it of an Act of Parliament should be, that it should clearly be intelligible to those who are concerned with its practical working.

597. You state that upon this occasion this Bill was only for the purpose of instructing courts of law, and parties who had to give decisions; but I suppose it is the people who originate the litigation; courts of law cannot deal with the thing till somebody chooses to bring it before them?—In this case, as you know, the persons who would have originated the litigation would have been the overseers of parishes; advised, as you know, generally by something like a legal adviser, an attorney, and, in fact, having the means—being very much practised in the use of such provisions as those—in a very little time of learning all the words and all the workings of a succinct law like that by heart. The concentrated expression was really in this case only made for the use of persons having such advice, and acting in a purely technical matter, not acting in the exercise of common ordinary rights, or in the performance of ordinary obligations, or in a matter of any generality applying to all that concerns themselves and their neighbours. It was practically a set of rules laid down for people technically advised, and only carrying into effect, on the occasion, a technical operation, immediately in the face of courts of justice, and with all the aids of the parish lawyer and the sessions lawyer.

598. Then are we to understand that the Act of Parliament in question being intended to be set in motion by overseers, the legal authority to whom they could commonly have recourse, namely, the parish attorney, would be more competent to judge than that Member of Parliament to whom you have made reference?—It was not a Member of Parliament who made the alteration.

599. I am not speaking of who made it or who drew it, but of the expression which you have employed, that a particular Member of Parliament had declared that the Act in question was as hard to understand as Euclid?—That Member of Parliament is one of the most able readers of an Act of Parliament in the world. But this Bill came to him new; it was the result of a comparison of a great number of other provisions which it modified and repealed. It was in this shape new matter to him, which I will undertake to say, after that hard reading which he gave to it, he would have been one of the most competent persons in the world to carry into effect. He knew it well after that first reading, and he thoroughly approved the effect and the manner of the draft, but it came to him for that reading with the disadvantage of being new and concentrated matter to be read for the first time.

600. But did it not happen that with all the matter with which that Act of Parliament

Parliament dealt, that Member was particularly acquainted, and that he had had a great deal to do with it?—Yes.

601. And yet he declared that the Act was as hard to understand as Euclid, and you are nevertheless of opinion that the parish attorney might see no difficulty where a person of such a high order of intelligence did so?—The parish attorney, having every word of such a law interpreted to him, and made significant by his constant and repeated practice, would have no difficulty. If it had been as dry as a mere list the parish attorney would soon have found, by daily practical illustration, the value of each term used in it.

602. In this particular case this result happened, did it not; the parish attorney set to work to litigate; the advice was taken of the law officers of the Crown, at all events, I suppose, as good as the parish attorney; they gave one opinion, and the courts of law, when it came up, gave another?—Not so.

603. What were the facts then?—The Bill, as drafted, to which that criticism of the Right honourable Member applied, never came into litigation in that shape. It was that introduction of "fat," as some people call it, to make it go smooth, which introduced the ambiguity, and it was that ambiguity, introduced after the succinct draft had been approved by the Right honourable Member, that became the subject of litigation.

604. Do you mean that the introduction of the word "shall" was made in the House, or was it in the Bill when it was brought in?—I have explained before, that the Bill, when it formed the subject of that observation of Sir James Graham, had not this ambiguity in it. The draftsman of the Bill ceased to have any concern with the Bill, and after he left it, a clerk, upon somebody's suggestion (I forget now whose, but a suggestion which he should not have adopted) thought he could improve the style of the Bill, and interpolated various Parliamentary common phrases and destroyed the cohesion of the Bill. I could pick out 20 ambiguities which his additions introduced into the Bill. I should be sorry to state them, because it would produce great inconvenience if I were to do so; but I did point out, certainly, a dozen ambiguities created by this pragmatical attempt to make the Bill, as the clerk and his adviser thought, more readable.

605. That is to say, that a Bill having been drawn by a competent draftsman (you say that you drew the Bill, which fact I was not aware of) a high Member of the Legislature declared it to be as hard to understand as Euclid. Some officer in the department endeavoured to make it intelligible to common minds, and endeavouring to make it intelligible, he created confusion, and so the Bill was introduced into Parliament, and so it passed?—You have given the exact history.

606. Therefore the Houses of Parliament, having had the sanction of a department of the State, bringing in a Bill upon a question of great interest, and taking these precautions, failed to do anything which was not the subject of very considerable litigation and difference of opinion after it was done?—That is constantly occurring, and that is one reason for one proposition which I shall have to make to the Committee, namely, that Government Bills should undergo whatever revision you provide for other Bills. I know no great distinction in favour of Government Bills.

607—9. Taking this Bill as it has been brought under discussion, what kind of security will there be that any parties, to whom such a Bill so doctored as you have described, shall be referred, will have a greater chance of securing the public than by the opinion of the law officers of the Crown upon that particular Bill, they having come to the opinion that an expression meant one thing and the courts of law that it meant another?—I am not here to propound any specifics; I do not believe that ambiguities will ever be entirely avoided. I know of no provision that can be made for the entire prevention of inconsistencies.

610. Will you explain to the Committee how this function of revision, which you have explained at some length to be one of extraordinary difficulty and delicacy, is to be considered as one purely clerical?—I did propose to go over these points seriatim; I should come to that in time.

611. You would wish to revert to the first point?—Yes.

612. Will you be kind enough to make your statement in reference to that?—I confine my evidence to the object "of improving the manner and language of current legislation," because a good deal of evidence has been gone into before

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this Committee as to the "effect" of the Bill in other respects;—the effect, as realising the intention of the framer, for instance, which probably can only be known to the framer himself,—or as to the appropriateness of the machinery, which is a thing peculiarly for the discretion of Parliament itself, and for discussion in Parliament. Such things are really matters of substance, and are not, I think, mere "manner and language" of legislation; therefore I do not propose to bring before the Committee any considerations bearing upon the structure of Bills, so far as they affect Persons, but only so far as the Words of the Bill affect other Words in the Bill, and affect previous legislation; in fact nothing but the Expression, which includes the Order of expression, that is to say, the arrangement of the whole Bill. It is from the neglect of cautions in these respects that the multifariousness, and the confusion, and the incongruity of the Statute Law have mainly arisen. It is to that that I have directed my attention, and propose now to confine my observations.

613. Will you state to the Committee all that you wish to say with reference to your first point, and then wait for any questions which Members of the Committee may wish to put to you upon it before you proceed to the second? —My second observation then upon that first paragraph is, that the revision should extend to "every public Bill," and with no exception even of Government Bills. I think it has been proposed that the Government Bills should be excluded from this operation of revision. It is true that Government Bills are somewhat better done than perhaps the majority of Bills introduced by independent Members, and it is also true that it is somewhat less necessary that their provisions should be precise and accurate; inasmuch as for the most part they have to be carried into effect by persons who voluntarily carry them into effect, and are only too ready to carry them into effect, who are paid and appointed officers for the purpose, and who do not make difficulties, and whose rights and interests do not come in conflict with the provisions of the Bill; therefore Government Bills get easily into operation, they have their way smoothed by the co-operation of parties concerned in carrying them into execution. That applies to a great many Government Bills, and would make it not so inconvenient that they should be ill-framed as when Bills have to find their operation among the reluctant mass of the people. But the form of expression of Government Bills is as cumbrous, as disorderly, and as barbarous as that of any other Bills which I know of, and they constantly require this operation of revision. I only had my eye a few minutes ago upon the Mutiny Bill of last year. That Mutiny Bill retains a provision that no parish apprentice put upon an officer of the army (and the Marine Mutiny Bill contains the same as to an officer of Marines) shall by serving that apprenticeship gain a settlement. Now that placing by a parish of an apprentice was repealed in the 7th & 8th Victoria; it has been repealed 12 years at least; and I believe that the very year it was repealed I wrote to somebody whom I understood to have charge of the Mutiny Bill, to suggest that that clause of the Bill should be struck out; I have three or four times since then spoken to officers who I thought were charged with such matters, to get it deleted, but it is never done; it is looked upon so much as a matter of course to pass the Mutiny Bill, with such practical modifications only as the experience of officers has suggested to them, that never looking upon what was worked without proved inconvenience, there this inoperative provision stands re-enacted every year for 12 years, notwithstanding my repeated suggestions that it should be struck out. I mention this as an instance which has just occurred to myself. But Government Bills contain, I believe, at this moment, more matter which should be looked upon as obsolete, and which should be cleared out of them, than any other class of Bills. I admit that the mischief is not very great from their being ill framed, or containing useless provisions; it is a mere incumbrance in a part of the statute book, that scarcely anybody looks at, but it is discreditable when it is looked at, and I have no reasons but those which I have adverted to for their exclusion from the operation of revision. I would therefore have "every Public Bill" revised. There has been a good deal said about the Private Bills. They are not, I think, within the view of the Committee; they are abundantly provided for both as to "matter" and as to "manner." I do not think that what is applicable to Private Bills, in the way of revision, would be at all applicable to Public Bills. Private Bills are encroachments upon the general law, and are to be checked as to the "matter" that they contain, and as to their operation,

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being of small interest to Parliament generally, they would not get that attention of the whole House, which would be necessary to the control of the draftsman. Therefore, the revision of private Bills very properly goes to "matter," and is chiefly directed to it; and although incidentally a great improvement of form has taken place through the intelligence of the officers of this House, voluntarily applied to it, the chief object guarded against as to the contents of private Bills is their "matter" and not their "manner."

614. Will you pass on to the next point?—I proceed to the next point, that the revision should ascertain "what public statute is modified or repealed by each clause."

615. Mr. *Henley.*] That is matter, is it not; not manner or language?—The repeal of matter may very easily revive whatever was the law in operation before, especially the common law. It so becomes substance by the effect of its operation. Still, whether a provision repeals previous law, or leaves it standing, is a question also of the "manner" of legislation; not entirely or exclusively, but enough for my purpose; the "manner" of legislation,—the prevailing "manner" being at present constantly to dispense with repeals, where repeals are necessary, in order to clear away expressly and indisputably what is really and in fact rendered superfluous by the provision. I should observe in justification of my going upon this matter, that the document laid before this Committee for its consideration, namely, the whole Report of the Statute Law Commissioners, repeats, again and again, that the revising officer or Board is to go into "the legal effect" of the Bill, which is a question whether it is consistent with other legislation, or whether it virtually or actually repeals previous matter, both of common law and statute. They also say that he is to report "on the existing state of the law affected by the proposed Bill," the "law" being both statute and common; and this must be a question of whether it supersedes, abrogates, repeals, or modifies previous legislation. Again, he is to report on "the operation of the Bill upon the existing law;" also "to point out what statutes it repeals, alters, or modifies." It will be difficult for the proposed officer, I believe, to make any distinctions between these four cases on which the Commissioners have proposed that he should separately report; but the Commissioners, at all events, in their Second Report are very emphatic, and in fact repeat three times over that the officer is to do this duty; and with all submission, though I do not see the necessity of repeating it so often, it does appear to me that the present "manner" of legislation is a very objectionable one, which leaves it difficult to be ascertained whether there are repeals or not, or which attempts to effect repeals by "anything to the contrary notwithstanding," and such phrases. Nothing has led to much more difficulty, and much more laborious search to ascertain what the effect of the law is, than these indefinite repeals. Still more troublesome are the repeals operated by conflicting matter; matter which appears to be independent, but which really jostles with previous matter, and must drive it out of place. It is a "manner" of current legislation to legislate in that way. I think it a very objectionable "manner" of legislating; it does not appear to me to be a "matter" of legislation which is involved there; it is a mere cumbrous unconnected "manner" of legislation which is exhibited in such cases, and which produces a great quantity of the mischiefs which we all complain of. Therefore I submit that it is most important to ascertain "what public statute is modified or repealed by each clause," and, as I shall presently suggest, that as much as possible, when such things are ascertained, they should be also definitely expressed, so that people looking at one statute may be able, if it is rightly looked at, at once to see the statutes affected by the one in question. We shall then legislate, it seems to me, in daylight, so far as the statute law is concerned, whereas at present we are in obscurity and doubt, unless one knows (which I take it no one does know), upon any subject which is legislated upon the whole that has been done before. I submit that it is a main part of the business of any revising officer to ascertain "what public statute is modified or repealed by each clause" of the Bill.

616. *Chairman.*] What is the next point?—The next matter is "and whether the necessary references or repeals are definitely made." I have just adverted to that; I think it is too well understood to require me to go into detail. I have various notes, and a great deal of matter which would prove, if it was at all in question, the mischief of "indefinite references" to Acts effected by the current legislation and of "indefinite repeals"; but unless members think fit to

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examine me more at length upon it, I should say that I might be dispensed from enlarging upon it.

617. Mr. *Henley*.] I have understood you to say, that you think that in Government Bills there is more superfluous matter than even in the Bills of private Members; have I correctly understood you?—Yes.

618. I think that the description which you have given points to a very well known evil; that of heaping statute upon statute on the same subject without any clear understanding how they bear each upon the other?—Yes.

619. Is it your opinion that that inconvenience would be better remedied by a consolidation of the statutes or by the mode which you are proposing of having a simple revision of another addition to the pile of statutes?—I do not think that what I have to propose excludes the other. I think that it facilitates the other, if that is judged advisable. All that I am proposing now is, that whenever you legislate you shall bring into view and manifestly into view, in the terms or references in your Act, the matter which is affected by that which manifestly is to be *pro tanto* a consolidation to the mind of the reader or interpreter; that you shall place under the head of that particular clause all the matter which would be brought by a concordance into view. This would effect a practical concordance of the matter; it would eventually connect together all the provisions of the statute book which remained in force upon that particular matter.

620. I will take an instance. There are vast heaps of Acts which apply to Ecclesiastical matters with reference to the various Ecclesiastical Commissions, of which I think there are two or three under different titles?—Yes.

621. Parliament has been anxious to have those Acts consolidated; no Government has yet been found which would undertake it. This officer whom you propose in any additional legislation, which is to take place in that particular branch, is to be entrusted with the care of bringing to the knowledge of the Legislature how that Act bears upon all the hundred other Acts which are in the office. Is that what I am to understand you to mean?—I do mean that. I shall point presently to the aids which he will have from the draftsman of the Bill in bringing all those Acts into view. There are a great number of Acts upon various subjects, with a great quantity of matter which is now found to be superfluous, but which is too large and too onerous a job for a Member gratuitously to undertake to deal with; at all events taxing very much the industry and ability of a Member to pass in the form of a complete consolidation. But it must be manifest that, if when any particular part of the Ecclesiastical Acts was dealt with on the occasion of any particular Bill, there was a reference not to the whole of the law, but to such part of the law as that Bill dealt with, it would occur at once first to the draftsman framing the Bill, and next to all who read the note of the law affected by it, that it would be desirable at least to express in one series of expressions what now remains expressed, qualified, conditioned, modified by many separate statutes, and made by all these modifications the subject of very difficult interpretation. I say that it would occur to every person, that it would be well upon that particular topic to have one plain connected statement, and to clear away so much of the pre-existing law as remains, as otherwise the new Act must have to jostle with.

622. I was not asking for any opinion as to whether it was desirable or not. I was merely wishing to ascertain what it was that you meant to be done, and now I understand you to say, that a Bill being brought in to affect any of these matters for the various Ecclesiastical Commissions to deal with, it would be the duty of an officer such as is contemplated, with such assistance as you contemplate, to inform the House on that Bill how it would bear upon all the other legislation on the subject. Do I understand you correctly?—Yes. I shall point to the means which he will have of aiding himself, though he should be individually responsible for the information which he conveys to the House.

623. Of course the value of that information would depend upon the ability of the officer giving it?—With the aid of the draftsman, he would have a very great means of information.

624. Still he would be the responsible party with any aid that you give him?—Yes. I do not expect that any operation in the revision of Bills will take place perfectly at first. I take it that whatever is done in the Bills of this Session will be accumulated in aid of future Bills that touch the same subjects in the next and in subsequent Sessions. There will be an accumulation of matter

and

and an improved experience, which will make it, I should say, from Session to Session a much more effective operation. I cannot imagine that very much will be done in the first Session. I should like to place before the Committee the effect which would be produced by in each case reducing, when you are legislating, the matter that is most closely connected with the subject of legislation into one expression. I have made a digest of the Poor Laws. There are 684 articles in it, each containing substantive and distinct matter. There are only 72 of these articles which are without matter more recent than the beginning of the reign of William the Fourth; excepting 72 articles out of 684, every article of the Poor Law has come into view and been legislated upon in about 27 years. Now, if such an operation as I am speaking of had taken place; if on each occasion of new legislation the old legislation had been combined, we should actually have had a consolidation of the whole Poor Law, with the exception only of 72 articles, which are so obsolete that they have never come into view. I may say that we should have had the whole operative Poor Law consolidated. I do not mean to say in the order of a systematic consolidation, but we should have had the whole of it reviewed, the whole of it re-expressed in modern language, and with modern views, unconfused with any different matter framed for very different purposes, and very little realising our modern objects, with which matter it has now, by the mental operation of the reader, to be incorporated. We should, I believe, in those 27 years, by the mere process of "current legislation," have practically re-expressed and consolidated the whole of the matter which now lies dispersed in above 300 Acts of Parliament,—there being very often only small parts of the Poor Law in certain Acts which bear chiefly upon other matters; but the whole of that Poor Law matter is to be found in above 300 Acts of Parliament.

625. That is rather dealing with the effect; will you confine yourself to answering the few questions which I wish to put to you as to how the thing is to be done, and not what its effect will be; I am perfectly willing to go into the effect afterwards, but the effect of the thing has nothing to do with the manner and machinery of doing it?—Only that its effect, if a beneficial one, would be a justification, and if the contrary, a condemnation of the proposition.

626. You have just told us that if this particular operation had been applied to the Poor Law you believe it would have had the effect of consolidating the law up to a certain point, and, if I understood you, it at all events would have paved the way for a perfect consolidation?—Yes.

627. Would not that depend entirely upon the accuracy with which the recommendations of this officer were made?—What I have just spoken of about the Poor Law would have depended upon the accuracy or the effect with which the draftsman had done his work.

628. Therefore it would rather be that this effect might have been produced than that it absolutely would have been produced; would that not be the more correct way of putting it?—It would.

629. We have touched upon the Ecclesiastical Laws; there are also the Customs, as to which there is scarcely a Session without Acts of Parliament; there are likewise the Stamps; you have named the Poor Laws; there are many other branches of the law; what time do you suppose it would take any officer, on any Bill being introduced upon any of these subjects, to go through the whole range of these Acts of Parliament which the Government officers themselves now shrink from the task of consolidating, and to give to the House any proper information of what the effect of the then proposed measure would be upon all this mass of legislation in various departments?—If his work is properly defined; if it does not go to more than I have suggested to the Committee, namely, things that are patent upon the face of the Bill, or obvious in the effect of the Bill, it will not occupy so large a time as is often supposed.

630. Let us understand how it is to be limited; will you state the exact limitation to which you mean it to be confined?—I am for no limitation whatever as to the class of Bills to be revised.

631. Then he is to take the whole range?—I am for no limitation whatever as to the Bills. I, however, think it would be very injudicious to call upon an officer appointed this Session to do the whole of this work for every Bill this Session. While new to the work he would probably be somewhat slow, and it would still be a beneficial effect performed upon as many Bills as he could efficiently operate upon. These Customs' Bills that you refer to, which make

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their appearance every year, I know, from having gone over them myself, are not so difficult to connect. The connexion with previous legislation would not be difficult to trace; it would not occupy a very long time. It is a very different thing to bring in a proposed consolidation of matter having such a range as the whole of the Customs' Acts. That raises too many questions; more than any officer practically concerned in the execution of the Customs' laws cares to raise, he being only immediately concerned to get some convenient operation effected in the present Session. That persons intent upon some immediate convenience should not undertake such a large task as that is quite intelligible; but a person who will have none of the difficulty of fighting a Bill through the House, who merely has clerically to make a note of the matter to inform the House, will have no such reluctance; it will involve no such inconvenient labour to him, and what a Government officer now fears he certainly will not fear.

632. You say that the Customs is a branch in which there is less difficulty; one of the frequent enactments with regard to the Customs and other revenue departments is the imposition of penalties, is it not?—Yes.

633. Do you or do you not consider it material, in such a revision as you are speaking of, that it should be clearly brought to the notice of the House whether the penalty intended to be imposed by the Bill before them is or is not cumulative, and what, under the whole of the revenue law attaching to that particular branch of the subject, the whole of the cumulative penalties amount to?—Unquestionably it is most important that all cumulative law, whether of penalties or otherwise, but very chiefly as to penalties, should be already before the House; that of penalties is perhaps the most salient example.

634. Will you tell me by what process that officer would be able authoritatively to inform the House to what amount of cumulative penalty a party would be subjected without going through the whole range of the revenue enactments upon the subject?—I should presently have suggested the uses which he would derive from the draftsman, and the right that he would have to call upon the draftsman to inform him what other provision there is referring to the same matter; that is to say, to the same offence to which this penalty attaches.

635. Supposing he applies to the draftsman who has drawn that Bill to tell him, not what the Bill is which he has been ordered to draw or the objects of it, but what the whole penalties are attaching to that subject by other Acts, do you think it possible that the draftsman may not give him this answer, "I really cannot inform you of it; and to get the information it would take me six months to read all the Acts of Parliament upon the Customs"?—Then, if I were the revising officer, I should say, "I must decline to report the operation of your Bill. I must indicate that there are probably concealed penalties, and that I have not been able myself to find the whole of them, and that the draftsman cannot inform me." This would be tantamount to telling Parliament that this was a very ill-advised measure, running the danger of these cumulative penalties to which you have adverted, and concealing the danger; that, in fact, it was a speculation upon the blindness of Parliament.

636. Is it or is it not your opinion, that with regard to the revenue laws penalties are constantly enacted, which are really cumulative, which nobody knows anything about, and as to which, probably, if the most honest intention of the officers connected with the department were put in force, they would not be able exactly to tell you?—I doubt the want of ability to tell. I have seen a good deal of the revenue departments; I have never found any difficulty in getting back, as far as I desired, to any sort of information. Some of it, but not the Acts of Parliament, lies in cellars under Somerset House, but there has never been a real difficulty in getting any information as to what has occurred during the existence of the several Boards whose records remain; nor is there certainly any difficulty in going back through the revenue laws or any branch of them, Customs or others, which are now in force. I do not, then, think that there is any such practical difficulty; there is a little labour, which, once incurred, would not have to be incurred again. If this year we had to go through all the enactments bearing upon a certain offence against the Customs' laws, and did it effectually, when a Bill came in again upon that subject next year, we should have all our work done, excepting only this last Act, which we should have passed this Session. The work would

would be always diminishing every year as we touched the different parts of legislation; and, as I instanced with regard to the Poor Laws, we should have brought into view in these 27 years, every Act that we were content to leave in force; most probably we should have cleared away by far the greater number of them. In the case you have adverted to of cumulative penalties, undoubtedly we should make a short cut the first time they were brought into view; we should get rid of a great number of these ancient provisions, and the work would be facilitated the next year. The work would be heavy enough at first, although not so heavy I think as some persons suppose, but it would always be becoming easier.

637. The clearing away of penalties would be the most simple work of anything?—Yes.

638. Because it is not easy to mistake whether it is 50*l.* or a 100*l.* penalty, it is clear to all people's understanding?—Yes.

639. But there are many provisions and laws, in which perhaps it is possible that the revising officer might make a mistake?—Undoubtedly; and I think the revising officer would be very ill advised if he pretended to inform the House absolutely about dubious things. It would be enough to query anything, and call the attention of those very able men who are in both Houses to the matter; the officer would merely raise the question; but as to undertaking to decide it, it is more than any prudent man could do, or would pretend to do.

640. He would raise up the question to be discussed?—Yes.

641. What do you think would be the effect upon a Government measure; a Revenue Bill, for instance, if it came with a good long list of queries to be discussed. Do you think that it would be very acceptable to the Government to have a great many of these kind of things, which would be pegs for gentlemen to hang discussions upon in committee?—I do not think that any revision suggesting fresh considerations will be very acceptable to those who have the charge of the particular Bill. It will very likely not be acceptable to the Member of the Government who has charge of the Bill.

642. You have said that the Government Bills are the greatest offenders; that they have more surplus matter in them than the other Bills, and now you say that you think the revision of them will not be agreeable to the Government?—I think that in many cases it will not be agreeable to them, such as that which you have instanced. On the other hand, I cannot see that there would be the least objection on the part of a Member having charge of a Government Bill with a lot of superfluous matter in it, if it should be suggested that it being useless, should be cut out,—it would clearly facilitate his work. It will operate, I suppose, on the whole, as much one way as the other, but it will be often very unpleasant to a Member who has brought in an ill-contrived Bill, framed with a mere view to the present day, without reference to the past; he will very likely find himself tripped up, in the attempt to carry an ill-prepared measure. It will be a motive to him to take care that his measure, the next time he brings it in, or that any other measure which he brings in, has some view to the antecedent law. It may sometimes be severe, but it will be very salutary punishment.

643. Is it your idea that the Bill should be submitted to this officer, before or after it is introduced into the House?—I think it must very much differ according to the nature of the Bill and the convenience of the Member. All that seems to me to be necessary is, that it should be submitted to this officer in time for committee.

644. You have said, as I understood you, that the first duty of this officer would be, to understand the intention of the party bringing in the Bill, and the objects of it?—No; I intended to say the contrary. I think that your reviser can only safely look to what is patent to him on the face of the Bill; that the inquiry into intention, meaning by that the practical intention of the Member, ought to be excluded.

645. You say that the reviser is only to concern himself with what is patent on the face of the Bill; he would look for that I suppose to the preamble and the title?— And all the clauses.

646. Then the question which might arise, and probably frequently would arise, would be that the clauses were inconsistent with the supposed object and intention gathered from the preamble upon the face of it. Should you propose that the officer should communicate with the party bringing in the

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Bill to point that out to him, or to ask him what his intention was?—I propose that a name should accompany the draft of the Bill, either of the Member or of the draftsman; of somebody who might be communicated with.

647. You said that you thought that it would be sufficient, if the Bill came to the revising officer before it went into the Committee of the House?—Yes.

648. It will simplify our inquiry if you will confine yourself to the case of a Bill brought into the House with its preamble according to the way you read it, and its clauses somewhat inconsistent with each other. I wish you to state the course which you think the revising officer should take?—If they were inconsistent in their practical operation, I would have the revising officer do nothing at all with that, but leave it as proper matter for discussion and practical amendment in Parliament. It is not a question of "language or manner." But if it is an inconsistency in the terms of the Bill, if one clause conflicts with the terms of another, then it becomes a matter of the "expression" of the Bill. That would be a matter for him to note; he would make his note of that, and he would send it to the draftsman or Member. In the case of an amendment, he would, when the time came for him to have cognizance of it, send it to the mover of the amendment. I would have him do nothing but deal with those conflicts in the Bill which were conflicts in the "language" or "manner" of the legislation; conflicts in its terms, not conflicts in the practical operations of the Bill, and the practical mode of attaining the objects of the Bill. I would confine his duty solely to reporting upon conflicting parts of the Bill, so far as they were indicated in the "language" and expression of the Bill.

649. That is to say, that if there was language in the Bill, in the mind of the reviser, leading to confusion as to the mode in which the Bill was carried out, that would be a matter which he should note?—Yes.

650. *Chairman.*] Will you proceed with your remarks?—The next point is, that "the report of the officer should omit all reference to any other effects of the Bill than those which I have mentioned, and to the effects on the Common Law." The evil to which the Committee is addressing its attention I conceive to be the state of the Statute law, the conflict of the Statute law with itself, its incongruity and multifariousness. But as to the Common Law, it must be assumed that every statutory provision and every word which has an operation in a Statute repeals or modifies so much common law; this is in the very nature of the thing, and does not require express reference; for the reference must be to every syllable of the Act, if it operates anything, if reference is to be made to its operation upon the Common Law. It would also be extremely difficult to refer distinctly to the authorities for the common law; they sometimes might be found very well laid down in a leading case; sometimes they are to be picked out of 100 reported cases and half-a-score text-books. I think then that, as not being within the mischief to which the Committee is directing its attention, and also as being impossible, and as being useless if it were in any degree possible, the officer should not attempt to indicate any of the effects of the Bill upon the Common Law. That seems to me very material, as very much easing the labours of this officer, and bringing his labours to bear upon the framing and the expression of Statutes. The Commissioners have suggested in their Second Report that a number of reports are to be made upon the operation of the Bill as affecting the law; their suggestion involves three or four times over reports upon the Common Law; such reports as commonly occupy commissions for many years; such reports as usually have the effect rather of postponing than of facilitating legislation. I think that it would be quite beyond the powers of any man, and I believe of any set of men that could be brought together, to report upon so wide a field as that, and that it would be quite superfluous in the majority of cases, as we all, more or less, know the common law well enough to know what its operation would be through the means of a Bill which we can at all understand otherwise. Therefore I propose that the officer shall have nothing whatever to do with reporting upon the effect on the Common Law.

Then another subject which he would ascertain and report upon is, "that the Bill is satisfactorily expressed." That would rather go, not to realising the intention of the Bill, so far as that may be known to the framer of the Bill, but to this,—that the plainest language which the subject admits of, technical language if the subject is technical, but plain and common language if the rights, and duties,

duties, and wrongs, and penalties, and such other things, are matters of common understanding, should be used;—that it should be grammatically connected;—that there should be a clear connexion in every sentence of the Subject and of the Legal Action.

651. Mr. *William Ewart.*] Do you not think that the habit of introducing parentheses in Acts of Parliament have been a fertile cause of mischief?—I have never myself encountered a fair occasion for a parenthesis. I undoubtedly find plenty of occasions for qualifying the general expression, and I think that the qualification should always come immediately in contact with the general expression; but I never saw yet in the whole of my experience one fair case for a parenthesis.

652. Do you mean by that, that you think parentheses might be avoided?—Entirely.

653. And you condemn them?—Undoubtedly.

654. What do you think of provisoes in an Act of Parliament?—There is a legitimate occasion for provisoes, namely, where a general provision is first made and a special case is next looked to, and a special provision is made for that case, taking it out of the general operation. In that case there is occasion for a proviso. I think I may say that in the whole of those 684 articles of the Poor Law Digest to which I have referred, there is just one legitimate proviso. On the other hand, I think I have given some instances in my pamphlet "on Legislative Expression," where in one provision there are six provisoes introduced, no one of which is properly a proviso, or can possibly receive the appropriate construction of a proviso. But it is the means by which an amendment or an after thought in any way is commonly put in, without proper amalgamation with the rest of the Bill, without consideration of the right place for it to come,—is put in anyhow somehow. They are the mere results I believe of haste, and of the habit of neglecting the connexion of the matter, overlooking the structure of the clause, which the proviso is intended somehow or other to limit or affect.

655. Does the practice of introducing interpretation clauses in separate Acts of Parliament tend to produce general ambiguity in legal language?—They destroy language, I think. They are usually arbitrary collections of such things as the draftsman desires to be affected by his provisions; not that they are logically connected; not that they are connected by that association by which we do properly include a number of given individuals under a common name, but they are arbitrary interferences with the true values and meanings of common terms. So far as they go, they destroy the vernacular meaning of the terms. They never are available for a second use, being in all instances confined to the exigencies of the particular Act of Parliament into which they are introduced. You want to get something in for the sake of the operations of that Bill; you want to exclude something from the operations of that Bill, and so you arbitrarily modify your interpretation of some term to effect your present purpose.

656. Do they not give a specific interpretation for that particular Bill, and by that means introduce into various Bills what may possibly be conflicting interpretations?—Undoubtedly. In most Bills you will find that the draftsman is not faithful to his own interpretation, even in the particular Bill itself; but in the next Bill, having a different purview, he overrides the interpretation of the previous Bill, and it is not without example that in a series of Bills relating to the same subjects (the Lunacy Acts abound in such examples), interpretations have been introduced in one which were quite inconsistent with the interpretations in others. On the other hand, draftsmen commonly resort, when they are departmental Bills, to declaring that the interpretation of each successive Act shall be that of some previous Act of the same series, in which there are some convenient interpretations.

657. Have you ever met with the expression of a French judge, in reference to English Acts of Parliament, the first French judge who came to this country after the peace, Monsieur Cottu?—Yes; he made a report upon the criminal law and jurisprudence of England.

658. Do you remember that he begins an English statute, and says, "But I spare my French readers the barbarous phraseology of this species of law-making"?—Yes, I believe he does so.

659. I understood you to say, that private Bills should not come under the revision of this revising officer?—No. I said that the revision and the care of the "substance" of private Bills, being already provided for by the Standing Orders

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and various arrangements of the House well known to Members, it was not necessary to include them in these suggestions of mine; and I wish to say this, that the arrangements made for the revision of Private Bills are not applicable to Public Bills, inasmuch as private legislation is properly put under various restrictions as to what shall be included in such Bills, and what shall not be included, rather to prevent the Legislature from being surprised by finding larger powers conveyed than are compatible with our general system of law. But with regard to Public Bills, it would be perfectly inconsistent with all correct views of the power of Parliament for it to fetter itself by any of the rules so laid down as to what it shall include in any case in any Bill. It is matter for the determination of open Parliament what it shall or shall not do in every public measure. Those things which are necessary to prevent surprises and encroachments in private legislation and all the rules applying to the whole process are inapplicable to public Bills, excepting as regards correcting the language of public Bills.

660. Might not the construction of a private Bill come under the consideration of a court of law?—Yes.

661. Therefore should not private Bills, for the sake of uniformity of expression, be submitted to the same office as public Bills?—The officer would have very different things to do with regard to a private Bill and a public Bill; that is to say, if he took entire cognizance of the Bill. Undoubtedly, so far as persons are interested in a private Bill, whether it be one person, a family, or a company, or whatever else, it is very important that the arrangements which they make between themselves should be unambiguous and clear, and, if they become the subject of litigation, of undoubted interpretation. We have the same interest as to private Bills as we have in the proper framing of deeds or other private arrangements, which are of the same nature, but which do not happen to be ratified by an Act of Parliament. Undoubtedly those who are concerned in private Bills are greatly concerned in having them framed in clear and unambiguous language. I would also say, that inasmuch as the effect of a private Bill may be to encroach upon the common rights of the subject, it is very desirable that when parties come to Parliament for a ratification of the contracts involved in private Bills, they should be seen not to have an effect prejudicial to the general public; but it is not a matter of the same importance as with regard to public Bills.

662. *Chairman.*] Have you completed the observations which you were going to make upon the satisfactory expression of the Bill?—Yes.

663. Does not the satisfactory expression of an Act of Parliament involve, not only an important part, but one of the most difficult parts of legislation, namely, to what extent the expression shall be particularised, and to what extent it shall be left to judicial interpretation?—So difficult is it that I should never think of confiding the task of ascertaining the fact, whether that is well or ill done, to any appointed officer.

664. The point of my question was, how an officer, such as you indicate, could undertake that department?—I have no idea that any man could undertake it, and I should be unwilling to trust it to a Board of the most industrious and able men, any 20 men that could be found in the country.

665. The next point which you have mentioned is, that the officer should ascertain "that the Order of the enactments of the Bill is satisfactory"?—It is quite possible to devise a natural Order for the due placing of every Right, every Obligation, every Wrong, every Remedy, and every stage of Procedure, and it is clear that if any Order which was a good, natural, and intelligible one in this respect were once devised, it would be very desirable that it should be conformed to in every Bill containing the same or analogous objects. The Order is of very great importance in this respect (I have always found it in my own experience) that it is a great test of the practical congruity of the provisions that they will suffer themselves to be evolved in an intelligible order. It also is very important, as often detecting the lurking places of cunning provisions which are put just where they are expected not to be seen. Substantial parts of a provision are effected by something that is seen only amongst the procedure clauses, and which is a proper thing, they say, for the legal gentleman to look at; but it ties up the Right, it restrains or loosens the Obligation in a material respect and an objectionable manner, and it is convenient therefore for the draftsman or some persons concerned in the Bill, to have it hidden away where it cannot be discovered

discovered or suspected. A lucid order, following the natural development of the subject-matter is, I believe, a very great security against surprises on the Legislature. It of course aids very much the intelligence of all persons concerned in understanding the Bill while it is passing. I need not say how much it facilitates the understanding of those who have to obey the law, or carry it into effect when the Bill has passed. The observation of a proper Order also leads to this, that observed in one case and observed in another it is a process of systematic "Consolidation," and practically of "Codification," so far as the matter contained in any particular Bill is concerned; it facilitates all those subsequent operations in which we might attempt to connect together the whole of the law, or the whole of the law falling under certain heads. The Order to be observed, I think, is not difficult of discovery. I have attempted myself, in a paper which is before most of the Members of this Committee, appended to Mr. Ker's First Report upon the Consolidation of Statutes, to show, at pages 58 to 66, an order which would apply to every possible matter that could be created in the law, and would be as proper an order for the matters in a single clause, so far as it contained different matters, as for a Bill, however general, or for a code or systematic consolidation, if that should be attempted. That may be the right Order or it may not, but it is very desirable that as the revising officer becomes versed in his subject, he should suggest in all cases any departures from what has once been recognised by the House as a good order, and has been adopted in previous Bills, recognised as well framed Bills. It will be a great advantage which this revising officer will have, that he will learn what Bills deserve to be imitated as good precedents, and what are to be avoided. As he became acquainted with the good order which the House would recognise, it seems to me that it would be very desirable that he should notify to the House when any departure from that order took place.

666. Those objects which you have detailed, appear to you to be those to which it is desirable that the revising officer should direct his attention?—Those are the objects which it appears to me desirable that he should effect with a view to the checking of multifarious and conflicting provisions and of disorderly drawing.

667. Mr. *Henley.*] You stated, if I understood you, that you thought there was a natural order for a Bill; and you then referred to some order, as I understood you, of Mr. Ker?—No, of myself.

668. Does that natural order, which you say was suggested by yourself, conflict with the order referred to by Mr. Ker?—I am not aware that Mr. Ker has ever attempted an order. I referred to mine as being contained in the Appendix to Mr. Ker's First Report.

669. With regard to the order which you have sketched out, would it not be more proper to call it by your name than to call it a natural order?—I think it is entitled to be called a "natural" order.

670. You think it is so unobjectionable, and so little liable to be questioned, that it would be proper to give it that title?—I think that it is entitled to be called a "natural order" on this ground, that it begins with those matters which are simplest in their nature, and upon which all other matters depend, or of which all other matters are combinations or consequences; as, for instance, by placing Rights first, which determine the obligations which other people are under to allow of the enjoyment of those rights, and not to invade those rights; then Obligations, for they naturally and inevitably follow the rights which they subserve. Wrongs cannot come before rights or obligations, they are subsequent to them, they are merely invasions of the right, breaches of the obligation; they can in no way be understood, and in no way adequately expressed, but by the previous expression of the right or of the obligation of which the Wrong is an infraction. And so as to Remedies: they are in their nature nothing but consequences of wrongs; they replace the person wronged in the enjoyment of his right; they prevent the further invasion of his right; they give him restitution, they give him compensation; but the whole question antecedent to the use of the remedy is,—what was the Right that was invaded? And so all through that proposed Order it will be found on inspecting it that all things subsequent are only more complicate things; that they include the matters which had gone before and which are incapable of definition or of conception, but by the definition or conception of the matters antecedent in the order. Such I take to be a "natural order"; in other words, an order in which the classes of

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things follow a development according to the nature of the things classified, and come in the right place according to their degree of complication.

671. That is to say if the Legislature thought it necessary before they dealt with the wrong to lay down the abstract right, you think that it ought to take precedence of the wrong and the remedy?—Undoubtedly.

672. But you would not give any opinion, I suppose, that it would be necessary in an act of the Legislature to set out the abstract right, before stating the wrong?—Undoubtedly it would be very mischievous generally to do it.

673. If for any reason Parliament should choose to set out the right, they ought to set it out before the wrong, and not afterwards; that is what you mean by a natural order?—Yes, and in all cases, whatever it is practically expedient to do, you should do in an order which conforms with the natural order of the subject matter.

674. To come to a more practical order of setting out things, let us consider for a moment the Interpretation Clause, which is a material matter in every Bill; is it your judgment that in the order it ought to come first or last?—An Interpretation Clause, as far as it determines the use of every word which it interprets in the Bill, should clearly accompany the reading of every clause in the Bill; in other words, it should stand first, as it is to affect the meaning which the first clause has, and the second clause and all the other operative clauses; such an arbitrary or such a logical sense as is given to the terms employed, should undoubtedly precede the entry upon the reading of the practical parts of the Bill. It seems to me, to be in the nature of things, that as it is to implicate and govern all that is to be found in the Bill, it should stand at the head of the Bill and be preliminary to the practical provisions of the Bill.

675. It is necessary to define your terms before you begin to use them?—Exactly so.

676. *Chairman.*] Will you proceed to explain how the labour of such a revision as you have described is to be called purely clerical?—I mean "clerical" in the broad old sense of the word. I do not mean merely a merchant's clerk, for instance, when I speak of a clerk; but I mean that the operation, as I have previously stated it, and as I contemplate it, is merely of a scholastic or clerkly kind. It involves nothing but a just use of words in their right places, and a just method between the several operations; such a skill as every clerk of Oxford must have got in the course of his education is what I mean here; I mean that it is not technical, nor involving any difficulties or subjects, but such as are involved in a scholastic clerkly education. I mean, when I say "clerical," that it is not special, technical, or practical; that it does not require that the reviser should know anything of the particular subjects involved in the Bill, whether they relate to this trade, or that manufacture, or the other profession, or the particular administration of this office, or in fact anything practical as contradistinguished from that which is formal. The formal use of language according to its grammatical forms, the formal placing of the subjects matter of the Bill according to logical form, I take, in the broader sense of the word "clerical," to be clerkly operations, and such I conceive to be the whole of the operations which the reviser can perform with any advantage for the prevention of those mischiefs of incongruity, mis-expression, and internal disorder in the framework of Bills which at present exist. I would have him control the draftsman by merely clerical, or to use another term, scholastic considerations; merely by considerations of plain, simple, grammatical expression, and considerations of the logical order of the matter. In that sense I think the proposed work is "purely clerical."

677. Mr. *Willam Ewart.*] If the officer in looking over the number of statutes which you propose to be enumerated at the beginning of the Bill to be repealed or altered, should perceive any statute omitted by the draftsman of the Bill, would you have the revising officer suggest the insertion of such a statute?—Yes; I would have a form of note to be sent at once to the person responsible in that respect as draftsman, to call his attention to the fact.

678. Would you consider such an Act on the part of the revising officer an act purely clerical?—The main act about which he would be concerned would be the reading of these two things, and the seeing to the fact whether they covered the same matter; that implies the mere clerkly intelligence of the Bill before him. He finds two or three things covering the same matter, apparently with the same effect, or something approaching the same effect; he writes to the person

person who has charge of the Bill, and says, "I think you have omitted to refer to so and so, which is either superseded by this Bill or conflicts with it." I understand by the word "clerical" of course that the Bill is read with intelligence.

679. You refer to the ancient meaning of the word "clerical"?—A clerk as opposed to an uninstructed or technically instructed layman; such a clerk as every parson is, and indeed as clerks of this House and of the Upper House are understood to be.

680. *Chairman.*] But it would require, as I understand you, great acuteness in intellect and much acquisition of scholarship?—I undoubtedly think that the "Revising Clerk" must be a superior kind of clerk.

681. In addition to that, would not such an officer require a knowledge of the law in order to understand whether different clauses which he compared did cover the same ground?—I would rather have legal intelligence than stipulate for a knowledge of the law, if by that is meant the practical knowledge of the law which practitioners have. I know no such disorderly draftsmen, nor much worse draftsmen, than legal practitioners.

682. I mean knowledge of the effect in the law of certain expressions?—If the officer is to undertake those different things which the Statute Law Commissioners propose that he should do, namely, that he should "report on the effect of the Bill" upon the antecedent law, and "the effect of the existing law" upon it; if, in fact, he is to make a Legal Report, such, as I said before, as commissions of very eminent persons are very loth to do or a very long time in doing, then I think the man must be a most accomplished lawyer indeed to undertake that task even for a few branches of the thing, and an impossible lawyer to do it for all parts.

683. To confine it to the functions which you have attributed to him, taking, for example, the comparison of clauses in different Acts of Parliament which he may apprehend to conflict; if the phrases in those Acts of Parliament are not identical, will it not require a considerably cultivated legal understanding to ascertain what terms are equivalent to each other?—I think not. I think that every gentleman of this Committee and indeed a majority of the Members of The House of Commons would be perfectly able, so far as that matter is concerned, to perform this function. Where a question is very nice, where in some word something is covert which eludes an ordinary apprehension, and which yet may have a greater or less legal effect, there I take it that even lawyers are apt to miss it when they have to read it under any of the exigencies of business, and unless the attention is concentrated upon that very point, a lawyer will not read it better than a layman. But I take it that it will be a most excellent function performed if no attention is directed to this matter of any mind better prepared in it than any gentleman who properly informs himself of the general law of his country. There is no intelligence required, as I take it, which is not possessed by at least the great majority of the Members of both Houses of Parliament. I know no occasion for this extreme subtlety, or acuteness, or legal perspicacity in the performance of such a function as I have laid down. I will admit that there are things which will elude a person so clerically educated; but then I say that they will most probably elude a lawyer too, unless his attention is specifically called to them. My experience goes to this, that I have found gentlemen, not professing at all to be lawyers, understanding better the operation and general bearing, and the merits and demerits of the composition of an Act of Parliament, and even the particular bearings of it, so far as they do not come within view of a court of justice, so far as they do not bear upon mere procedure—I have, I say, constantly found practical country gentlemen and intelligent men of business, not lawyers, having a much better intelligence of the bearing of an Act of Parliament than I have found in the best of my legal fellows.

684. Will not the comparison of different phrases which may appear to the revising officer to be possibly equivalent to each other, depend on the legal interpretation which has been given to each of those expressions which are not identical?—Undoubtedly, if there have been such an interpretation assigned to them; and all that I would desire that the "Revising Clerk" should do would be that he should call attention to the state of his own mind upon the matter; in other words, that he should call attention to what appears to him. I do not think that it is for him to give judicial interpretations of those things; judicial decisions such as take place after the argument of counsel, and the suggestion

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to a Court of Law of a multitude of actual and a multitude of hypothetical cases. I think he is to give a plain, intelligent reading to the Bill, and rather to call the attention of the House to a matter which it is to deal with, than to pretend to decide it himself.

685. But you desire him to report to the House whether a proposed enactment does or does not repeal or modify some other enactment?—He will report it merely that so and so seems to repeal, not a decision that it does repeal, and which would be very proper for the Court of Queen's Bench sitting in Banco to determine, but which is a thing that nobody, I should think, would bear from an officer of the House, and it would be very presumptuous, I think, in any person, without a great deal of argument, to pretend to decide such a matter.

686. That is your interpretation of the word "clerical"?—Yes.

687. Mr. *Henley*.] Take the interpretation clause in an Act of Parliament; would it be your view that in an examination of the language of that Act, it should be the duty of the officer to say whether the interpretation in terms was sufficiently large to cover the enactments?—I think not, that would go to the intention of the enactments; it would be too fine a question, and too practical a question for him to consider; that question goes to a substantial "matter" of what the Act shall include, and I think it is not for a mere revising officer upon "the form and manner" of Bills to speak to that. It is very important that Parliament should be very vigilant about these Interpretation Clauses, because anything is excluded and anything is stolen in by the arbitrary narrowing or extension of terms; but it is still always a question for the discretion of Parliament, whether they will have so much included, and whether, when a word is used, such a quantity of persons or things is to be included. It is certainly a question of substance, and it is almost a fraud upon Parliament that that should be made so often to appear merely formal, which, in fact, is substantial, and which modifies or subtracts from the operation of the Bill under a form which affects to be an interpretation, when, in fact, it is a covert enactment.

688. Take a term running through a very long Act of Parliament, it is not one of the most easy parts of legislation to see the bearing of a term upon a vast variety of clauses, is it?—Certainly not. I have always adopted in my drafts of Bills what I have recommended in my pamphlet "on Legislative Expression" (page 61, note), the plan of never using a word without citing it by quotation marks. Parliament do not allow that at present in the Bills printed for the House, but the practice draws the attention of the preparers of a Bill to the operations of the Interpretation Clause.

689. In your judgment, however inconsistent many of the clauses of a Bill, owing to the interpretation of terms, might appear to be with the intention of the Bill, gathered from its preamble, still you think that it would not be the duty of the officer to point that out at all to the House?—I think it would be too fine a matter for him to enter upon. I think it is a proper matter for the vigilance of Members.

690. Is or is not that, in your judgment, one of the most important matters which Parliament ought to have pointed out to them?—Undoubtedly, and it would often be included under that part of the officer's report which should go to the due expression of the Bill; but supposing that he has no fault to find with it, as regards the congruous expression of the Bill, I think he has nothing to do with the practical extent which may be given to it. I think that that is a question for the whole House to consider.

691. You do not think that it ought to be his duty to assist Parliament in that respect, and to report what the effect of the language of the Bill would be?—I do not think that he would be competent to do that. I think that the number of persons who attend to a Bill in Parliament, and out of it, are generally the best judges of what the extent of the Bill will be; but I am certain that no person of whom I have any knowledge would be able, as to a tithe of the Bills which come before Parliament every Session, to say what the exact value and effect of the extension or limitation of terms is which is operated by the arbitrary definitions in the Interpretation Clause. I think he can only see that those terms are congruously used, but as to their effect in enlarging or diminishing the operation of the Act, I think if he determined that, he would be exercising or influencing the discretion of Parliament to give powers or to make restrictions.

692. If in going through a long Bill the officer found that the use of a term,

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as defined in the Interpretation Clause, would have an effect which was manifestly contrary to the purport of the Bill, as gathered from its preamble, would it be his duty to point out such a case as that?—Yes; then the thing would not be properly expressed, and it would come under the head to which I have before adverted; there would be an incongruity of expression between the preamble and the body of a Bill.

693. Mr. *William Ewart.*] You said that the revising officer should only judge of the manner of the Bill?—"Language and manner."

694. Might not the inclusion or exclusion of a substantial part of the Bill depend upon the language or manner of expressing it?—Yes, it constantly does so, and for that reason I wish to call attention to the importance of having an order, as strict as may be adopted, in the subject matter of the Bill, which itself is very apt to be suggestive, by making sensible the abruptness with which the Bill passes from one subject to another. From some want of analogy between an article and the next succeeding article, you are apt to discover something which is wanting; you are apt to discover whatever is anomalous; you are apt to discover whatever is in excess. A strict, and, as far as can be, a natural order, seems to me to be one of the best safeguards against either the inclusion of improper matter, or the exclusion of proper matter, in the Bill.

695. Have you ever turned your attention to the phraseology of foreign codes of law?—Yes; I think I have read every code.

696. Have you seen the order which has been observed there?—Yes.

697. Take the French code for instance; do you think that there are certain modes of arranging different heads of the subject in that code which might be successfully imitated?—There is a great deal which might be successfully imitated; but I think there is a great deal which would be still better done if we started upon our own basis. For simplicity and lucidity of expression nothing can excel it; the chapters and heads are generally well defined; in fact the formal part of legislation is almost always extremely well done. In France, long before the promulgation of the code, it is scarcely possible to exceed the excellence of a great deal of French *redaction*, even of a very ancient date. There are some of the most masterly statements of customs in the Collection of Customs, made in Charles the Eighth's time,—some of the most admirable things which are to be found in legal literature. The Edits of Louis Quatorze also are remarkable for lucid and orderly statement. We have to make a comparison most disadvantageous to ourselves if any continental legislation is looked at, so far as its form of expression is concerned.

698. Is there not in the French code what I may call a tabular system of arrangement which might be successfully imitated?—The drafts of the code were all preceded by tabulated statements, or if not all, most of them; they are all capable of being tabulated, because the heads are well distinguished, and they and their subordinate sections and articles follow in an order that is nearly, more or less, a logical order.

699. Have the Americans improved their legal language in any of the modern codes?—I think they have not very greatly improved legal language. They have simplified the expressions. They have contented themselves with much more general expressions in all their revisions of statutes. I should say that they are rather wanting in nicety and accuracy and refinement of expression. I am inclined to think that, generally speaking, their revised statutes would not stand the test of English discussion; but their system of judicature compels a decision, and lets in a sort of common law and equitable interpretation of a statute which prevents that complete failure of justice which would occur if our law, interpreted as it is by our judicial tribunals, were in the same phraseology and in the same form as the American revised statutes. They are, at the same time, good for their purpose, I think.

700. They have not attained yet perfection in point of precision?—I think not.

701. *Chairman.*] You have proceeded to state that this duty, as you have described it, can, in your opinion, be performed by a clerk of the House?—Yes. I think it is most important that it should be performed by somebody who would have his seat somewhere in the House, and who would be accessible to Members and to draftsmen, and to anybody else who might have any suggestion to make upon the contents of a Bill seen by him. If the duty were performed elsewhere, and by any person not amenable, to the utmost extent, to the

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authority of the House, I think that the operation would be very much impeded; I think that neither Members, nor draftsmen, nor the public, would have the benefit from the thing which they would from having a clerk in a known room or seat somewhere in the House.

702. What you mean to indicate then is merely that the revising officer should be an officer of the House; you do not refer to any particular status of that officer?—No, only that he would be very properly designated, "Clerk."

703. You proceed to say, "exclusively subservient to the whole House." Do you mean by that to exclude the notion of a Committee?—Yes. I can see no use whatever in a Committee, but a great deal of impediment. In the performance of such things I limit myself to what I have proposed; but in the performance of such acts as it appears to me desirable that the officer should perform, a Committee would be an absurdity. That a clause is expressed in English,—that there is a proper concordance between the subject and the predicate; or, to take an instance just adverted to,—that the statement of a Right should precede the statement of an Obligation, and—that both of them should precede the statement of the Wrong, or the Remedy, or the Penalty; such things as those result from the very nature of the matter. No authority can add to the force with which this is said even when a child says it;—that such a clause repeals such another,—is a fact which can derive no authority, no weight, and can have no additional validity from any authority of a Committee, or of any man in the world. A congress of monarchs, a congress of emperors, could add no force to that observation. A Reviser can require no gentlemen, however eminent, however able, to add to the force of a remark or suggestion to that effect. As to the use that a Committee might have, therefore, in supporting him, adopting his "inventions," and his authoritative acts as the Statute Law Commissioners suggest when they say that the officer will require "invention,"—a great deal of moral "discretion,"—"rapid decision" and "action,"—those are all things—all commanding qualities, which seem to me to be out of the question in a mere clerical operation such as is really required, and the use of anybody in backing an officer in such very vigorous imperial action as that suggested, seems to be also entirely out of place, in, as I say, a matter "purely clerical."

704. Would you have it in the form of a report to the House?—I would have him, when he found the Bill conforming to his views of what was right, merely to notify in a "Reviser's note" that he had examined the Bill and approved its expression and arrangement; that it effected such and such repeals, and the like.

705. That would be a written report?—Yes; on a sheet of paper, "the Reviser's note," which would be appended to the Bill, and accompany the Bill in all its subsequent stages.

706. What is meant by "communicating with the House through the Chairman of Committees"?—There will be a difference of views probably; the Revising Clerk may suggest to the draftsman or the Member, "You ought to include such and such things which are effectually repealed by your Bill." They differ. Or, to take another instance, he might say, "This expression is very clumsy, subject to such objection;" or, "This order is a perverted one," and the Draftsman, or the Member might not agree with him. If it was necessary to support his views he could not come into the House and support them there in person, without a great alteration in the practice of the House. The Chairman of Committees, who has to deal as Chairman of Committees with similar considerations to those of the Reviser would be, it seems to me, a very proper and apt person to give the requisite explanations to the House, quite ready on the spot, and always very capable of doing it. It would not be a very heavy charge upon him, for I take it that there would not be many disagreements of this kind if your Reviser was at all competent. The communications with the House would be few, and it has not occurred to me that there is any so proper, efficient, acceptable person, and one so sure to be in the House on the right occasion, as the Chairman of Committees.

707. Is that consistent with your opinion that the reports of the officer would be so on the surface, that it was absurd to suppose that they would require any support at all in the House?—I say they require no support for the giving of "authority" to the officer. But he may be right in his views, and it may be proper in case they are disputed, that his right reasons should be given to the House, though they may not be apparent to the Member in charge of the

the Bill; but I by no means think that the officer will require any "authority": I merely think that his views may fairly demand the expression of them sometimes. He may be right, or the draftsman may be right. It might be well for the House sometimes to hear why their officer had urged such a thing, and to determine whether the Bill should follow the form that appeared right to the Reviser, or should keep the form which had been put by the Draftsman. That is all that I mean by "communicating with the House." But then I think that a time will come, when the Reviser has mastered his work, and when he sees that some rules may be laid down in the shape perhaps of Standing Orders as to the adoption of "forms of expression," and the "Order" of the Bill, and perhaps the very subject of Interpretation Clauses which has been referred to, and perhaps other matters; I say the time will probably come when he will feel himself pretty sure of the operation, and may recommend to the House that things which have before been only suggestions from him to draftsmen shall take the form of Standing Orders. Those Standing Orders from time to time would probably be modified, as the opinion of the House and the experience of their officer was modified. So that I think it would be well that he should have a means of communication with the House upon those matters which may concern the execution of his office, and may tend to its improved operations. But I think it very desirable also that there should be some recognised person to whom he may go, and that he may not have an excuse for making his office a sinecure, or for the perfunctory performance of it because he cannot get proper instructions given to him, when he sees that definite instructions would aid him in realising the purpose for which he was appointed. I think there would be possibly many occasions on which he might beneficially communicate to the House. As I have said before, I know no such fit person to do that as the gentleman who performs the functions of Chairman of Committees of the House.

708. *Lord Stanley.*] You say that this duty of revision is merely mechanical?—Excuse me, I do not say that.

709. As I understand you, you stated that it was not necessary that this duty of revision should be entrusted to a Committee?—Yes.

710. That it should be performed by a single officer?—Yes.

711. Who should be placed in communication with the House through the Chairman of Committees?—Yes.

712. Does not that duty of revision imply a knowledge of all previous Acts which may be in any way affected by the Act under consideration?—It does not imply such a knowledge pre-existing to the examination of the Bill; such knowledge is not possessed by anybody. It does imply this, that he shall look at the Bill coming into his hands, and see what is its operation as regards previous Acts. In that I expect that he will be aided by the Draftsman with whom he is to be able to communicate, and to say, "What Acts does it appear to you that your Bill affects in this clause, that clause, or all the clauses of the Bill?" The draftsman will either give him complete information or not. It is only necessary that the Reviser should be a competent person without any considerable legal knowledge. I by no means object to the legal knowledge. I only say, that for such functions as these, it is not necessary to have it to a great extent. I do not look upon it, in the ordinary sense of a person being a barrister or an attorney, to be necessary at all. I think that the knowledge of a practitioner would very likely incline him to a mischievous form of Bills, instead of a good, lucid, simple, practical one. His making a report is merely that he finds himself with the Bill in his hand, and the previous legislation which that Bill affects, in which he will have the aid of the Member, and of the Draftsman himself probably. If he has not, he will have to report, perhaps in a very imperfect way, "It appears to me that this clause overrides and supersedes without practically repealing such and such provisions. There are some others (enumerating them), which I have not investigated." He would thus at once call the attention of the House to those things, and most probably the House would not go on with a Bill which required them to legislate upon a subject without knowing what the operation was to be upon previous legislation. If the Bill is hung up through the ignorance of the Draftsman, and the ignorance of the Member, or their indifference about that with which it conflicts, it seems to me to be a very good reason for not passing the Bill at all, until they have informed themselves better. It

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would truly be a stress put upon the draftsman; I think he would most probably soon come to terms, and produce what appeared to him and to the Reviser the necessary matter. An intelligent man, if on going over the references which the Draftsman had made, there were any matters omitted, would most probably discover them. I always find that when you get upon a scent you discover more than your references directly lead you to. And, after all, if you did not discover it, it would be only a failure so far as something was missed, but it would still be a beneficial operation, so far as it extended to bringing into view what the officer could discover. I do not wish in any case to represent this officer as performing the function perfectly; I only say, that any performance of it would be very beneficial, and would be a great check upon existing mischiefs, and I say that the mere knowledge of the Draftsman that he would be subject to that revision, would have an influence upon him. He knows that his Bill is to be overhauled, and he will take care, for his own credit, not to be thrown over at a late stage of the Bill. He knows what is necessary, and will be most glad to lay before the Revising Clerk the material which he has found; he would be a fool if he resisted that which undoubtedly would facilitate the Bill going through its several stages; but I have not myself the least doubt in the world, judging from what I have seen with regard to Parliamentary agents, attorneys, barristers, and other persons concerned in the preparation of Bills, that all the information they had would be readily forthcoming to such an officer. I think there would be no case of such a thing being called for, when the Draftsman saw clearly that the Reviser had the game in view.

713. Mr. *William Ewart.*] Would you recommend what may be called a breviate or short history of the Bill to be attached to the Bill?—I think not a history; I do not see the use of a breviate for the purpose now under consideration. I think it necessary that there should be "a note," which I would have on a separate piece of paper; I would call it "the Draftsman's note," which should be properly addressed to the Reviser, in which he should point out these several things as affected by each clause of the Bill; the Reviser would keep a form ready for the use of Draftsmen.

714. I meant whether the draftsman should accompany his Bill with a *précis* of it, or a kind of account of it of a legal character?—I think not for these purposes; limiting myself to what I have proposed here, it would be merely necessary that he should make what might be called "the Draftsman's note" of, to use a cumbrous word, the interoperation of the Bill; he would follow the order of the sections of the Bill, and say—"such a clause amends or explains so-and-so."—That would put the Reviser upon the trace of the operation; if there was anything omitted by the Draftsman, it is probable he would discover it; most probably the draftsman being called upon to do that, would do it well. I know no cases where any intelligent and capable draftsman could not supply this matter readily.

715. Mr. *Henley.*] We have long Bills frequently brought into the Houses of Parliament with a very long table, as it were, of the contents; a kind of *précis* of the Bill set out?—Yes.

716. Within your experience does it sometimes happen that the clauses of the Bill do not exactly carry out what that *précis* seems to indicate they intend to carry out?—Very often. Sometimes they are changed after the *précis* is drawn, and the *précis* is not modified accordingly. The *précis* itself very frequently is loosely drawn.

717. Taking an instance of a Bill of that kind put into the hands of this officer, do you not think it is possible in the press of business that he might deal with that *précis* and not with the Bill itself?—I think that he would soon be found out if he did it.

718. I am not asking you whether he would be caught out, but whether it is not very likely that, in the press of business, Bills being brought in that *précis* would be taken and tested, rather than the Bill itself?—I think not. If a proper expectation only were entertained of what the Revising officer could do, I think that the officer should be fairly acquitted of absolutely neglecting those Bills which he could not attend to. "I have not been able to examine this Bill," should be his report. Then the House will be warned,—this Bill has not undergone full revision. But as to attempting to examine any Bill in a hurry, to do it perfunctorily, in that way, it would be discreditable to him I think,—I mean it would involve a practical discredit, inasmuch as his failure would be discovered. I think it would

would be very reasonable in the House, if the officer were fairly engaged with as many Bills as he could get through, to allow him to say with respect to the others, that they had not been examined by him.

719. Taking the ordinary business of Parliament, what sort of man, and what kind of staff do you think would be requisite to carry through this revision, so that he might not do anything in a perfunctory manner, and so that he might not be expected to be overcharged, and to do that which he could not do?—I always speak with the limitation of what I propose he should do—

720. You have said what you expect him to do. Take 120, 130, or 140 Bills as the number which is passed, perhaps there are at least half as many more which come in but are not passed, there would be something like 200 Bills at least every year. What sort of man do you suppose would be able to deal with that number, and in what time, and with what assistance?—I think it would be very hard work the first Session to do it all, but I have good reason to think that it is not such hard work for one person, with somebody to haul down the Statutes at Large, and look out the references for him. One person and a messenger, I have reason to think, would do the whole work without either of them being killed.

721. What assistance do you think he ought to have?—I should give him none but a messenger to start with.

722. You say that you think one gentleman, with a messenger, would do it all?—With hard work the first Session, but with only very reasonable exertions afterwards, I think. I have given a "Specimen," in the form of "a Chronological Register, of the Duration, Action, and Interaction of Acts of Parliament," at page 25 of the document in your hand—

723. You have given us in evidence your notion of what this gentleman should do, and, referring to that evidence, and not to what is in any books, I understand you to say that you think that one person, with a messenger, would do it?—Yes. I should like to explain why. This Document was the result of an examination made of every Act, with the exception only of some international, colonial, and administrative Acts, passed during the Session of 15th & 16th Victoria, and of every Act passed up to the 1st of June in the 16th & 17th Victoria. It contains, as you see, statements of several matters that would not be required of your Revising Officer,—"subject," "duration," and "effect" of the Act in "amending" all and any previous legislation so far as it could be traced; also so far as it was "amended by" any other Act.

724. Are you alluding to every Bill which was brought in within that period?—With the exception named, every Act passed, and every clause of that Act, was examined as to various other matters; but amongst others as to the "amendments" which it effected in other Acts, and as to the "amendments" which it received from other Acts; also as to the "repeals" which it effected upon other Acts, and the "repeals" which it suffered from other Acts—

725. By whom was that examination made?—I was about to observe that I made the examination as part of my work as a Statute Law Commissioner. Not being able to get the stationery nor the Statutes at Large at Abingdon-street, where I worked, till late in April 1853, I began this examination somewhat late in April, and I find that the document was signed on the 1st of June following. It was for the whole of one Session and for so much of the legislation of the subsequent Session as was published on the 1st of June. That was all done by myself alone without any aid except that of my daughters in ruling the forms and in helping me to books, merely turning over to the proper places in the books. I had to trace operations (I have given the instances here) through a very long series, often centuries, of legislation I met with many doubtful things, which you will observe I have queried. I could not sometimes tell the operation of the conflicting legislation; but I did my best, and I put the seeming effect with a query. At the same time, while I was doing this, I struck out of the copy of the Statutes at Large, now in Abingdon-street, everything that I found which was repealed, everything that I came in contact with in the way of this investigation that had expired. I made at the same time a note in every instance upon every statute or clause of a statute in which I found any operation resulting from not only the Acts of that Session, but any other Acts which I came in contact with; and the result was, that I had to make in the Statutes at Large above 2,000 entries of effects that do not appear in this "Specimen." The whole of this was performed as I have said, including the

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legislation of an entire Session, and 25 chapters of the Acts of a subsequent Session, in the space between the middle of April and the 1st of June. I think, therefore, it is clear that I must have examined, in the way indicated in this specimen, the whole of the legislative matter of one Session, with the exceptions named, in about a month. Now, I had no aid, as your Reviser would have, from a Draftsman; I had not even a messenger; I had the aid of my daughters, and it was hard work for us; but it was work that I should have found tolerably easy to have done in two months, and it looks to me as being much more and harder work than your Revising Officer would have to do to carry out the plan which I have suggested. I am satisfied that though in the first Session it might be hard work at some particular pinches, it would not be hard work, if you take in view the whole of the Session, to do it all. I still think that he would in some instances fail in doing it at first, because it would come upon him at a time when it would be impossible to do so much as might be required; but I should have no feeling of pity for the officer who should have to do the whole of it in the second Session of his employment. It must be borne in mind that a large portion of the legislation which he sees in one Session is nearly identical with what he would see in another. Take, for example, the Mutiny Bills and the whole of the Supply Bills, they are pretty nearly in the same form every year. There are also a great number of the Continuance Bills, and various Ratifications of orders of administrative departments; there are a multitude of things which having been once seen would never require perhaps to be looked at again, inasmuch as the same form would be adhered to. The officer should look at them and report on such; but I mean that it would involve no appreciable amount of labour or expenditure of time. I believe in the second Session the Revision of the whole of the Bills of the Session would not be beyond the strength of a competent person to perform; but as I have said, if he could not perform the whole, I would much rather leave it to one hand to do what he could alone than import a second into the work. I would much rather have one person doing this with one single consciousness and intelligence than two or more; and it seems to me much better that he should do 100 Bills in that consistent way in which he singly would do them, than that two persons should do 200 Bills. The appointment of two persons would undoubtedly in the course of a few Sessions reduce their work to about half the work of one man, and I think the office of the two persons would then have become, about three-fourths of it, mere sinecure.

726. I understand you to say that you began this labour in the middle of April?—Yes.

727. And concluded it in June?—On the 1st of June.

728. That is something like six weeks, is it not?—Yes.

729. Have you any matter before you which will enable you to inform us how many statutes you were compelled to read through to come to the conclusion which you did upon those which you examined?—I certainly did read carefully everything referred to in those several columns, headed "Amends" and "is amended by." As to "Repeals," when they were done in definite terms, as, for instance, "the 6th and 7th of George the Fourth, chapter 10, is hereby repealed," I did not read what was repealed, for it was unnecessary to do it.

730. Can you state the number of Acts which you did read?—I find by my Report that I made 2,000 entries, which are not entered here in the "Specimen." I take it that those 2,000 entries were 2,000 clauses, or Acts, which I read, so far as they were amended by the Acts within my view. A large portion of 2,000 clauses, or Acts, which were brought into view in this examination of the legislation of these two Sessions, were read, and carefully and critically read, by me.

731. Extending the period to two months, you think that an ordinary person might be able to get through the labour?—I do not quite say an ordinary person. I myself am very zealous in such work.

732. I mean an average person?—A competent person, I should say.

733. *Chairman.*] Do you propose to apply the same precautions to amendments proposed in the course of a Bill, as you would to a Bill as originally introduced?—I do. As you will see, I have bracketted the words relating to "amendments." There is a question with me as to the point of time at which the revision should operate upon Amendments. The officer might sometimes spontaneously

spontaneously deal with them when he saw them put upon the paper as to be moved; but there is a difficulty in dealing in that way with amendments suddenly brought forward, and it does appear to me that though in some cases it might be well to deal with them before they were moved, it should be left to him and the mover to determine that; but that it should be his duty, "before the motion was made that the Bill pass," to have examined all the amendments, in the same way as he would before have examined the original draft of the Bill, and to have communicated doubts and difficulties, and requested information with regard to amendments, precisely as he would have done with the Bill. I, however, think that there is a practical difficulty in almost any course which can be taken as a general rule, other than that of requiring him to have seen to the congruity of expression, and so on, of amendments before the motion is made that the Bill finally pass.

734. I observe that the remaining portion of the paper which you have read consists entirely of a proposal for carrying into effect the objects which you have already explained at length?—I have several observations which I think as pertinent and as important as any which I have hitherto made. I am afraid that I have trespassed a great deal upon the patience of the Committee, and will not therefore urge them further if the Committee are satisfied.

735. To which part of the subject do they refer?—I think it is very important, for instance, that "the officer should be exclusively subservient to the whole House;" that is, not to the Speaker, nor in the other House to the Lord Chancellor, nor, as the Commissioners in their first Report suggest to any "other Minister." It appears to me that those arrangements would not answer the purpose; that all that the officer should do should be done above board and in the face of the whole House, and that his suggestions should be indiscriminately laid before the whole House. There is a very important example within my own knowledge of the mischiefs of a report upon a Bill made by a Commissioner to a Lord Chancellor, and it seems to me that similar things might take place if the officer was only to report to the Speaker, and for the Speaker's guidance, or to the Chairman of Committees, or to any "Minister" or any other individual person. The case to which I refer is very well known to a Member of this Committee; in fact he was concerned in it. He was the Member bringing in a Bill "for the better administration of Intestates' Estates," namely, Mr. Locke King. He had considerable difficulties in the House about his Bill; he desired to make it a complete consolidation of that matter (the honourable Member is here, I observe)—to give a connected expression to it,—and, in many cases where the matter seemed likely to be able to bear it, an improved expression to it,—the law upon which he had to operate, and which he had to change by his measure being a very ill-drawn and disorderly Act of Parliament. But he found difficulties, and it was felt by influential Members, legal Members of the House, that there was a great deal of judicial interpretation which they would not like to have interfered with, and they would not agree to any change whatever in the expression of the matter, or even in the order of the matter; and so he was compelled to produce a draft following the language and the order of the statute of Charles the Second, and interpolating his changes in the law in their right places only. The Bill, so framed under compulsion, prevented in that way from being a consolidation, and prevented also from taking the form as to language and as to order, which he and myself (the draftsman) thought desirable, was brought in; it passed the House of Commons, with, I believe, the universal approval of the legal Members of the House. If one may judge from the reports in the newspapers, there seemed to be rather a carrying of it by acclamation than anything else. The Bill was in full credit when it left the House of Commons, but when it got to the House of Lords the Bill was stopped. It was found that the Lord Chancellor had objections to it; the Honourable Member and one of the Peers found it impossible to move the Bill forward; they could not get the Lord Chancellor's concurrence, and I believe it remained a mystery what the difficulty was until some months afterwards. I think the Bill passed the Commons before Whitsuntide, on the 25th of May 1855; but about the 20th of July there appeared a printed Report of the present Commissioners for Consolidating the Statute Law, the last paper in which was a note made by one of the Commissioners addressed to the Lord Chancellor, described thus: "The following paper

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is one of the reports which have been prepared by me for the use of the Lord Chancellor in discharge of the duty which I have undertaken (as was explained by his Lordship to the Board on the 7th of February) of examining and reporting on all the law Bills introduced in either House of Parliament. The Lord Chancellor has desired that it should be printed for the use of the Board, because many of the practical points which have recently been discussed by the Board come under consideration in the course of it." So that this note made to the Lord Chancellor is printed as a model of what should be done in the way of Revision in such cases. The contents of that note were utterly unknown to the honourable Member and to the Draftsman, contrary to the course which I would suggest with regard to the proposed Reviser. It was made privately to the Lord Chancellor alone. The contrary course which I recommend being, "that the officer should be exclusively subservient to the whole House."

Martis, 10° *die Martii*, 1857.

MEMBERS PRESENT.

Mr. Baines.	Mr. Hughes.
Mr. Evelyn Denison.	Sir FitzRoy Kelly.
Mr. William Ewart.	Mr. Locke King.
Sir James Graham.	Lord Stanley.
Sir William Heathcote.	Mr. Walpole.
Mr. Henley.	

THE RIGHT HON. MATTHEW TALBOT BAINES, IN THE CHAIR.

George Coode, Esq., called in; and further Examined.

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736. *Chairman.*] I BELIEVE when the Committee adjourned last you had not quite finished the suggestions which you had to make with reference to the practical mode of carrying out the object suggested in the Report of the Statute Law Commission. I observe that your last answer was, that in your judgment the officer to be appointed should be exclusively subservient to the whole House?—Yes; I was endeavouring to illustrate the disadvantage of a contrary course.

737. I see that you gave a very full illustration upon that subject; will you state briefly any further suggestions which you have to make, with a view to enable the Committee to form a judgment upon this subject?—When the Committee adjourned I had not completed the observations which I had to make upon the revision of Mr. Locke King's Bill, a copy of which is the last paper appended to the First Report of the Commissioners for Consolidating the Statute Law. I had stated that Mr. Locke King did not propose in his Personal Estates of Intestates Bill to make a complete consolidation; he experienced objections amongst influential Members of the House of Commons to the attempt; he found that, if made, it would be resisted. He also abstained from all alteration whatever, either in the language or in the order of the statute of Charles, it being apprehended by the same objectors that some unintended alterations might take place if any attempt were made to deal with the language or order of that statute.

738. I observe that all that is stated fully in your last answer; will you have the goodness to proceed from that point?—The note contained in the Appendix to the Commissioners' Report examines the Bill, and proposes "to consider the Bill under different aspects; first, as a specimen of consolidation or re-writing of the statute law,"—a thing not attempted in the Bill, and not indicated in the title of the Bill, which was for the better settling of personal estates of intestates; and the criticism upon Mr. Locke King's Bill, as not effecting

effecting an entire consolidation, was therefore clearly beyond what was really in question ;—"secondly, with reference to the alterations of the law which it was intended to effect." The writer of this Revision proceeds to condemn the Bill on the ground of its being an imperfect "Specimen of Consolidation;" many of his remarks go exclusively to that point. It must be manifest that if the writer had been, as I would propose the Revising Clerk should be, in communication with the Member, he could not have so misapprehended the purview and the intention of the Bill as to have discussed it, after it had passed the House of Commons, as "a Specimen of Consolidation."

739. What is the next point to which you wish to draw our attention?—I wish to draw attention, if the Committee will indulge me so far, to show the mischiefs of a private unpublished advice offered to any person, the Lord Chancellor, the Speaker, or "any other Minister," as the Statute Law Commissioners suggest; the mischiefs of private advice tendered in such a way as not to be seen by the Member or the Draftsman of the Bill, and not making its appearance for several months after the Bill has actually passed one House, as was the case here, and after it had become impossible to carry it through the other; and I wish to show that the Revision should not consist of a series of allegations which are wholly without point, foundation, or real reference to the Bill.

740. Do you propose now to go through those allegations *seriatim*?—Perhaps with a view to save time it will be enough for me to call the attention of this Committee to the fact, that here is the model authoritatively presented of the Revision of a Bill, which model contains not one single statement or observation that has a real reference to the Bill, or that has the least foundation in the world. Some of the objections urged by this Reviser are, that there is a misprint in the Bill. There is a misprint of "him" for "her." There is also a misprint of "James I." for "James II.," not in the Bill where the Act is correctly described and printed, but on the paper preceding the Bill, in the little précis of the Bill. Those are alleged as reasons to believe that the Bill itself has been carelessly drawn. Of course they were proper for anybody looking at it to point out for typographical correction, but that they should be made to appear as reasons why a Bill which had passed one House should not be entertained in the other, is very manifestly, to anybody who will look at it, a great mistake at least, in the exercise of the office of Reviser.

741. I understand you to be of opinion, then, that the contents of that paper completely establish your position, that the officer should be exclusively subservient to the whole House, and that they form an important illustration of that principle?—Yes: it will be sufficient if the attention of the Committee is drawn to the fact; anybody will see its force.

742. Will you now have the goodness to proceed to the next suggestion with which you propose to favour the Committee as to this officer?—With your permission, I will continue the observation that the officer should be in a part of the house where he would be accessible to all the Members of the House, and could be applied to in all cases of doubt or difficulty, exposing to the House all that he did by way of a "note" circulated with the Bill itself to all the Members. He would necessarily make his note upon the Bills with a full sense of his responsibility. That note would be subject to instant correction. He would be brought immediately in contact with the Draftsman and the Member; and it would be impossible that anything could take place tending to thwart legislation, as might be the case according to another arrangement. I do not know whether it is desirable to enter upon another part of this question, as to the fitness of "a Board," speaking generally, not with especial reference to the Statute Law Commission exclusively, but generally—whether a Board would be a good instrument for the Revision of Bills.

743. Do you concur with every witness who has already been examined in opinion that a single officer with undivided responsibility would be a better agent for this purpose than a Board?—Yes.

744. Mr. *Locke King*.] Did you recommend at any time to the Statute Law Board, or any other persons, an officer to revise these Bills?—Yes. For many years I have recommended it in one way or another. I believe that the appointment of this very officer, of Mr. Ker to this work, originated in a suggestion of mine made to the Lord Chancellor on the 13th of August 1853. I had sent in my papers, which are before Members of the Committee, prepared

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as a Statute Law Commissioner, to the Lord Chancellor. He had seen them and approved them; and I made an offer to the Lord Chancellor, as a great number of Bills were thrown over at that time with the intention of bringing them in again in the next Session, to revise the whole of such Bills as the Government might intend so to bring in in the next Session, according to the views stated in my papers. I have the letter here; it is a somewhat long one; but I made in it a full tender of my services to the Lord Chancellor to proceed in that way. No notice was taken of my letter; I never had any answer to it, excepting an oral one from Mr. Ker in the following month of November, who then told me that my letter had been received, and that the Lord Chancellor and himself were agreed that it was not within the scope of the Commission, and therefore that it was not necessary to communicate with me upon the subject. The opportunity was lost that year, but on the 7th of February 1855 Mr. Ker himself was appointed by a resolution, entered upon the proceedings of the Statute Law Commission, to do this very thing. It is like a great number of other incidents in the history of the Statute Law Commissions since 1853 in which suggestions made are overlooked or discredited for a long time, and presently somebody appears clothed with the authority, and placed in the situation, or doing the very thing which has been before recommended and discouraged.

745. *Chairman.*] From the paper which I have before me, with which you had the goodness to furnish me, I infer that you are of opinion that no Public Bill should go into Committee, nor any amendment be moved till it has been submitted to the revising clerk, with the name of a Member or other person responsible for the draft of the Bill or amendment, with whom the clerk may communicate thereon; is that your opinion?—It is.

746. Nor until such clerk has reported thereon; is that further your opinion?—Yes; but as to Amendments, I would say that there is a difference. A Bill, of course, has been prepared, more or less, in time for the first reading; it must be in the hands of Members before the second reading, and as questions of detail come on in the Committee, it seems to me a most desirable thing, when dealing generally with the whole Bill, that it should be so revised and reported on in time for the Committee. But as to Amendments, the case is very manifestly different; they take place at all stages in the Bill; very frequently they are of sudden invention suddenly suggested, and there might be an impediment to the moving of the amendments at what would be the most convenient times for moving them, if they were to be subjected to the scrutiny of the Revising Clerk at that point. Therefore I think that the revision of Amendments should not as a strict rule, or as a general rule, be made before the amendments are moved. I suggest that "there should be a final Revision before the motion is made that the Bill do pass;" and at that stage all Amendments which had been moved and carried, would be within the view of the revising officer; they could be compared the one with the other, and it therefore seems to me that it would be the most profitable and the most convenient course altogether, that as to amendments, and as a general rule, they should be revised and reported on in preparation for the third reading,—for the stage of the passing of the Bill.

747. Then your suggestion would be that no motion should be made that such Bill do pass, until the revising clerk had reported thereon; those are your own words, I observe in this paper?—Just so.

748. Mr. *Henley.*] That would involve the necessity after the third reading of the Bill, amendments being constantly introduced upon the third reading of a Bill, of a time elapsing before the Bill finally passed?—It would. If the House were determined to have the same rule applied to the amendments, which are now a great cause of the disorder introduced into Bills, and a great cause of Bills being frustrated of their objects, it would occasionally involve in consequence the inconvenience which you speak of. I take it that it would not be often, nor amount to much. Those amendments which are passed at very late stages of the Bill are not generally of great extent, and the revising officer would be very well prepared by his previous revision of a Bill for any incidental amendment. I think that generally speaking the amendments which are moved at the last stages are more frequently amendments for reconciling provisions in the Bill than very substantive additions. If there should be substantive additions ranging over a body of pre-existing law, it would involve the expenditure of the

the time necessary to look back to that law, to note it and report it, and, if necessary, to act upon it.

749. What would you say with reference to alterations and amendments which may be made in Bills in the House of Lords, and which come back to the Commons for consideration, late in the Session, for instance?—Supposing that the like course were adopted in both Houses, the operation of the revising officer of the House of Lords would have been to have cleared the way at least. If he had done his duty effectually in pointing out all the law affected by the amendments in the Lords, it is clear that if there was a separate officer in the Commons the latter would merely have to accede to the note of the revision already made. If he discovered anything additional, of course it would be his duty to notify it. But upon the supposition that the like thing is done by both Houses (and I have in my evidence considered myself as recommending a course which is equally applicable to legislation in whichever House it may take place), the work of the revising officer of the House of Commons would have been anticipated in that case by the work of the officer of the House of Lords and *vice versâ*; or, if there was the same officer acting for both Houses, then, of course, there would be no question between two.

750. Am I to understand you, that in your opinion, at the close of a Session, whether as regards amendments introduced upon the third reading of a Bill, or as regards the reception, or otherwise, of amendments made in the House of Lords, still, after the House has adopted either the amendments made upon the third reading, or the changes made in the House of Lords, the Bill is to go before the revising officer?—I do suggest that whatever is to appear finally in the body of an Act of Parliament should, if it be possible, be revised during the process of legislation. But all through my evidence I have taken care to guard myself against the pretension that anybody could do this infallibly, or do it exhaustively in all possible cases. If a single matter should in some cases be missed, I should still say that upon 99 parts out of the hundred of the Bill upon which you had operated you would have operated beneficially; as to the other one part, there might have been some oversight, and a proportionate evil. I cannot imagine that Bills will ever be passed without oversights, let you have ever so able or ever so many revising officers as you will. But if you can secure this operation in all stages of the Bill less the last, this alone will be so much benefit, and the fact of not attaining it in the last stage will be excused, like many other inevitable defects in legislation, by the necessity of the case.

751. Assuming that considerable amendments have been made in a long Bill which has been through Committee, that those amendments are submitted to the revising officer, and that he makes a report strongly pointing out the inconveniences and the contradictions of those amendments, the course would be, I suppose, that the Bill must be recommitted?—First of all, I should object to the officer making any strong representations upon anything. He should merely indicate what appears to him to be the operation of the Bill in notes which imply no more than a mere intellectual recognition of the facts—

752. I am not using the word "strong" as applied to the language which he may employ, but the very substance of what has been done, put it in the mildest form that you may, would show great inconsistencies, great contradictions, and great confusion; I do not know what term you would apply to it in your language instead of "strong." The Bill, I suppose, would have to be recommitted?—Undoubtedly if the representations made by the revising officer were so important as is suggested by you. This would be the best reason in the world why the Bill should not pass further in that state; that there should be no jeopardy of its becoming law, if it justly gave rise to such representations as you have suggested. Generally speaking, it is better that a Bill should be lost for the Session, than that it should go forth subject to such representations, if well founded, which I presume is the meaning, and be passed into an Act, with such defects in it as the revising officer is supposed to have pointed out.

753. Take cases where there has been extensive legislation upon the same subject before; great confusion may already exist, perhaps, in the law; therefore, pointing out that a Bill remedying a particular objection would not set that confusion to rights, however needed and however urgent, would be, in your opinion, a reason why no legislation should take place?—The course must always be governed by the entire conveniences of the case. I am only suggesting

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one convenience—the prevention as far as may be of mere inconsistencies and unnecessary repetitions in the law. That is an inconvenience of a certain magnitude, but not the greatest possible. If the safety of the nation were concerned in passing a Bill which seemed to be able to effect some great good, I take it that you would overrule all these questions of the mere clerical character of the mere methodical character of the Bill; the safety of the public must outweigh all other considerations.

754. I am not asking you upon questions concerning the safety of the nation, but upon such questions, for instance, as the laws relating to ecclesiastical matters; they are said upon all hands to be in a very pleasurable state of confusion; supposing legislation was introduced upon that subject (which in most years seems to have been necessary in some direction or other), would it be a ground of objection that that confusion was not cleared away, but only added to?—It would.

755. Let the need upon that particular subject be what it might?—Let it be what it might. But I do not say that such an objection should outweigh all other considerations. Still the objection would exist, and it would be the duty of the revising officer to refer his objection to the House. The House being warned of the objection, would deal with it as with all other matters; they would stop the Bill for it if they thought it so important as to deserve it, or they would let the Bill proceed, notwithstanding the objection, if they thought the Bill was of sufficient importance to be passed with all defects.

756. Taking all those branches of the law which, in the opinion of many men, want either consolidating or codifying, any alterations and additions in those branches of the law would be pretty nearly certain to come under that category, would they not?—Yes.

757. Therefore unless the House thought fit to hold its hand instead of attempting either to consolidate or to codify, to that extent the representations of this officer would become a dead letter, and to a certain degree have a chance of falling into contempt?—The practical utility of his labour would be very well judged of by either House of Parliament so far as I can tell, and although it might fail of a useful effect now and then, I do not think the office would fall into contempt, because other preponderating results would follow, although the House might now and then put aside the consideration of the suggestions of its officer.

758. In your judgment, are there many branches of the law which are in that state of confusion for want of consolidation?—Excepting a few Acts of the Board of Trade, I am not aware that there is any branch of the statute law which does not require consolidation.

759. The possible cases which I have stated then would apply to a great many branches of the law?—Yes, to the whole, with a very small exception indeed.

760. Government offices generally have rather shrunk from the labour of consolidating the law?—Yes, because the labour of consolidation involves so great an amount of Parliamentary difficulty to the officers of Government who have to carry the Bill through, that, with other abundant excuses, usually for lightening their labour, they do not often wish to undertake so formidable a task.

761. Then the effect of the appointment of this revising officer might possibly be to cast upon the House of Commons, with a month or three weeks to legislate in, the duty of doing, or of attempting to do, that which the Government offices have refused to deal with?—It would present to the House a consideration which is not sufficiently often presented to the House, namely, the operation of a Bill upon other legislation. As I have stated before, it is a matter always for the discretion of the House; but it does not appear to me that because the House, now and then, might make no use of the information afforded to it, therefore it should in all cases be destitute of that information. If the information were useful in a portion of the whole of the cases before the House, it would be useful to that extent. I think it is no objection at all in any case that the House should be made to know what it is doing; it is no objection to the function of the officer that the House, having information before it, resolves on an occasion, under the pressure of great exigencies, to put aside the considerations raised by the officer.

762. What is your opinion as to the urgency that Government offices ordinarily feel when they introduce any Bill to the House, with regard to the necessity of legislating upon the particular subject?—I think as a rule they never introduce

introduce Bills without a sense that it is a matter of immediate necessity. I do not think that the Government do commonly volunteer to legislate. I scarcely know a case where in a single instance they have volunteered to put the law, or any part of the law, in a better state. They have often incidentally availed themselves of an occasion pressed upon them by some practical urgent considerations to put the law in a better state. Sometimes, too, the law of a department has got into such an unmanageable state, that a mere systematizing and a mere consolidating of it has itself become one of the most practical of the necessities of the department. That was the case with the consolidation of the Customs' Acts. It was found that there was no practical provision which could be made which was so urgently required as the getting rid of the confusion and difficulty produced by the enormous series of previous legislation.

763. Your opinion being that the Government offices rarely introduce Bills without feeling a great necessity for them, your opinion being that almost every branch of the law wants consolidation, and is more or less in a state of confusion; your opinion being that the Government offices do not attempt to consolidate the branches of the law with which they respectively have to do, on account of the probable difficulty of passing such a Bill through the House, is it your opinion that, putting the screw of this public officer upon them, and pointing out the inconveniences, would have the effect of compelling them to consolidate the law, or do you think that, in the general instances, they would give this officer the go-by, and so make him of little or no effect?—I think it would always be determined in each case by the greater or less pressure of the necessity for legislating immediately.

764. You say that it is to be decided by the pressure of immediate legislation; will you be kind enough to tell the Committee, if that now operates to prevent the Government offices from undertaking the labour of consolidation, what it is in this new officer which will alter the urgency of the case?—One very large operation of this new officer's notes would be to call attention to this fact, that there is a vast quantity of inoperative legislation existing amongst the law of every public department. It is a suggestion merely of an occasion to repeal so much law in such a case as that, not always a suggestion of the necessity of incorporating the living law now in force into one connected enactment. The framing, however, of such connected enactments would be facilitated by that very process, and the mere bringing into view of the existing legislation in force upon any matter, is itself a large part of the work of consolidation. I think that that which is one of the great difficulties now with a Member of the Government in either House, which meets him when he attempts to consolidate any portion of the law of his department systematically, is the want of a sense in the House itself of the necessity of dealing in that way with the thing. But here is an officer habitually, as a certain class of Bills come forward, pointing attention to the fact, that there is also, upon the very same subject, a great quantity of unseen, unnoted legislation. I say that it would certainly create in the House a sentiment of the value and of the necessity of doing a little in the way of consolidation from time to time, and by operating upon the smaller portions as they were successively presented to the House through the practical necessities of the department, eventually something proximate to a complete consolidation would have taken place; every thing at least would have been reviewed; everything would have been recast in a modern shape, and then it would be a comparatively easy matter to collect things which had been already put into a logical connexion in the separate legislation which had taken place upon them; I say it would be an easy thing, then, to give them the merely formal connexion which is necessary in including all the matters of the same kind in one and the same chapter.

765. Do you think that in the case of a Bill brought in by the Government upon an important subject, and that Bill being placed in the hands of this officer for the short time intervening between the introduction of the Bill and Committee, his fiat upon cutting out the dead from the living in the statute book would be so exclusive an authority as to warrant that department of the Government taking it up upon that authority?—By no means; I do not think that his fiat should have any weight at all as authority.

766. If his fiat is to have no weight, in what way is it to be useful?—The information afforded (which would not have the character of a fiat) to all Members of the House would have more or less weight with Members according

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to their predisposition to see the law in a connected orderly state; all those Members who had a desire to see it in an orderly state, would avail themselves of all such considerations to urge the necessity of consolidation.

767. Assuming that 100 Acts of Parliament may have existed upon one subject, as I believe is the case with respect to the Ecclesiastical Commissions, and that in the opinion of the officer 20 or 30 of them are dead letters, how many Members of Parliament do you think would occupy themselves in wading through those Acts of Parliament, and be capable of exercising their judgment as to whether they were altogether dead and repealed by the other Acts?—I cannot pretend to estimate that; this I will say, that it is very rare that I meet a Member of Parliament who is not fully alive to the propriety of getting rid of dead matter and putting living matter together.

768. That is another point?—I cannot make an estimate how many would do what the question supposes; but I believe that every man, excepting the man who would be reluctant because of the labour imposed upon himself, would desire this operation to take place, and the influence of every other man upon the one reluctant man, would probably bear down his reluctance either on that occasion or on the next.

769. I am not asking any question as to the wish to have the dead matter separated from the living; you have said that The House could not rely upon the fiat of the officer, nor could the parties who promote the Bill rely upon the fiat of the officer, but that it would be only giving The House information to be able to judge for themselves; that I think was the substance of your answer?—Perhaps I must distinguish. When I said that there would be no force in the fiat of the officer, I meant to repeat what I have sometimes said before, that I do not look upon this officer as having authority; I merely look upon him as giving information, which it is his duty to tender to The House. That information so tendered to The House will have the weight to which it is entitled; if it is right it will probably weigh effectually on the minds of many Members; if it is not right, the officer will so far have made a mistake, and will perhaps fall into contempt. But I do think that it is impossible to present this fact very often to Members of Parliament, upon the credit of any person whose business it is to look at such matters, without their coming to the conviction that it is a matter which should be looked at with more attention than they individually would be willing to give to it. I do not think that any person who saw a list of Acts presented in the note of the reviser, all touched by a clause in the Bill before the House, would look at every one of those Acts; he would know from the character of the man, the nature of his labour, and the capabilities which he had of judging of such things, that most probably his information was correct; Members would not concern themselves to put it all right, but they would know in a short time that they might rely upon the officer that he did not urge upon them information which was altogether inaccurate. It would govern the opinion of The House, I think, very much to see a constant recurrence of notes pointing to a vast quantity of law which ought to be reviewed. I think that that could not occur without producing an opinion in The House that all such matter ought to be looked at by those whose business it is chiefly to deal with that matter; those chiefly concerned in it.

770. A great many Acts of Parliament are partially repealed?—Yes.

771. We will take those which I have before stated referring to the ecclesiastical law; if a Bill is brought in by a department of the Government, and they do not undertake to specify to The House what dead matter exists in the law, and they do not propose to repeal it, your proposition is that the officer of the House would suggest, on his revision of the Bill, any dead matter which existed relative to that subject, and propose its repeal; upon whose authority would The House have to make that repeal; upon the authority of the parties who had declined responsibility beforehand, having had ample time, or upon the authority of the officer of The House, who merely pointed this out?—I think The House would be inclined to take the officer's view generally in that matter; they would see that there was some idleness or some disinclination in the Government to engage in the labour of dealing with all that matter; if The House felt strongly, as some day they may, the necessity of putting the law into a readable shape, they would feel strongly against a Member of the Government who brought forward a Bill in the state referred to. If, on the other hand, The House remained of what has been their most common opinion, that they should

should proceed at once to legislation upon the practical single case which required it, they would proceed in that way.

772. Do you think that they would have to take it upon the responsibility of the officer of the House, and that it could not be expected that the Government office which had charge of the Bill, having before declined to enter into the subject, would give their authority that the course was correct?—Indeed I do think that The House should look to the Member who brings in the Bill to do what is right with it.

773. I am referring to public Bills brought in by the Government?—It has very great weight now when a Member points to a Government Bill containing what appears to be useless matter, matter which is mere repetition; and again, when it has the mere character of a fragmentary patch, instead of a consistent well connected enactment.

774. Will you confine yourself to the question upon which I have been examining you as to the large repeals of dead matter?—I think that The House would not very often hear with pleasure any excuse which could be offered to them for not repealing dead matter brought distinctly into view, and recognised in the House as effete or useless.

775. What must be the course of any Government department upon the officer of the House reporting just before The House were about to go into Committee, that 20 or 30 Acts or parts of Acts were, in his judgment, repealed, and that the repeal ought to be introduced into the Bill; must not that Bill then go back to the draftsman of the office who proposed it, to hear his report?—Practically, I think that that will take place in another way. The revising officer will already have communicated with the draftsman. It will have been most probably agreed between them, that there is this dead matter, and that it is more or less susceptible of repeal. The officer will not report in favour of repealing it: he will merely suggest to The House that there is that matter which the Bill covers and practically supersedes. He will most probably have the concurrence of the draftsman in that, and the draftsman in attending to the matter will have in his own mind a very simple form of words to effect that repeal; and the draftsman will most probably thank the Reviser for the opportunity afforded to him of getting rid of a great deal of matter which only encumbers him in his draft.

776. Now we have somewhat of another phase, the officer is not to correct or repeal, but to suggest that which will make it a necessity for The House to look to the matter?—It will provide The House with as much as Members of the House will generally care to know, namely, that there are so many Acts or parts of Acts which are touched or covered by the present Bill, and that there is an occasion to repeal them. That information The House will be put in possession of by the officer. As to the officer advising what is to be done, I have all along guarded myself against that suggestion.

777. My questions have all along related to Acts which are absolutely dead. Can there be any doubt as to getting rid of dead matter?—There ought to be no doubt.

778. Therefore it was to that simple question that all my questions had relation, as to whether the opinion of the officer ought to be conclusive to the House that the Acts were dead?—No, I think not. I think all that the officer can do, is to point to what appears to him to be the effect of the Bill, the number of previous Acts which it touches. That is a mere simple statement of his view of the relation of the present Bill to previous legislation. As to his coming to a practical conclusion, The House ought to do this, or The House ought not to do this; that I think would be to assume a legislative discretion which he can no better exercise than every Member of the House, nor so well.

779. My questions had not relation to what the Bill touched, but to what it did not touch. Supposing there are 100 Acts relating to a particular subject, the Ecclesiastical Commission, for instance, and that 20 of them are actually dead Acts, I understood you to say that it would be the duty of the officer, the Bill not proposing to touch or repeal them, to point out that there was that body of dead matter upon the statute book and that the opportunity should be taken of repealing them?—By no means; I never contemplated anything of the kind. My proposition is that when any single Bill comes up for consideration it will be the duty of the officer to see what is the state of the law upon the very matter, not to go wide of it. If he discovers a number of Acts passed a longer or shorter time ago, and more or less in operation, many of them

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wholly out of operation and obsolete by change of circumstances or otherwise, it will be right for him to point attention to the fact that these very Acts touch the same subject-matter as the Bill, that the Bill touches the same subject-matter as all these Acts.

780. Then am I now to understand you that you do not think it would be the duty of the officer, assuming the subject to be one on which there were 100 Acts of Parliament, and 20 of them actually dead, to point that fact out to The House?—I think he would never be within his duty when he went beyond the subject-matter of the Bill before him.

781. If the subject-matter of the Bill did not propose to repeal any of these Acts which were actually dead, and to clear the statute book of them, then you think that it would not be his duty to bring that fact before The House?—I think it would be impertinent to the occasion that he should go into any other matter than that which was contained within the four corners of the Bill. The other dead matter may be touched some other day, by some other Bill, and then that matter will come into the same view. But I desire to be careful in making myself clear upon the point, that the reviser should only look to legislation upon the very points presented by the Bill, and not go further. Nobody knows how wide or wild legislation would become, if, in a Bill touching one matter, were repealed a lot of Acts touching another.

782. I am speaking of the same subject. I gave you the subject of the ecclesiastical legislation; it is all modern; it is said that a great number of Acts exist upon it, and that there is great confusion. The Government have been pressed to consolidate, but they decline?—If I may instance that practically, —an Ecclesiastical Bill comes forward this Session, we will suppose, which affects the constitution of the Ecclesiastical Commission itself, but says nothing at all about building churches, or creating districts for district churches, or anything of that sort. The revising officer would in this case merely have to look to that part of the ecclesiastical legislation which concerned the Commission; and if he found a great number of provisions upon that subject which were not now observed, and would not be conveniently observed, but which were covered by the terms of the Bill, it would be his duty to point out that fact; but it would not be his duty to point to any clauses as old and as useless which might relate to the division of parishes, or any subject other than the Commission.

783. Mr. *William Ewart.*] But if he knew of a great number of dead statutes which bore reference to the subject of the Bill for the Ecclesiastical Commission, as suggested by the Right honourable Member, then it would be his duty to suggest the repeal of those statutes?—Yes; he would say such a clause touches such and such an Act, and such a clause touches such and such an Act, referring to them all. He would most probably adopt a common form, a simple statement, that they seemed to be in desuetude, practically not in use, and this would suggest, not as an advice of his own, but as suggested by the form of the thing, that here was an occasion for repealing so much useless and cumbrous matter.

784. *Chairman.*] Have you considered the question which has been put to some witnesses, whether communications from and to The House with this revising officer should be made through a Committee?—I have.

785. Have you formed an opinion upon that subject?—Yes; my view is that there would be very few occasions for communication, except such as would take place in "the note" of the officer; that would be his ordinary mode of communication. He would state, "This Bill effects so-and-so;" and that communication would best be made in his printed "note," with his initials, and circulated with the Bill. But in a case where there might be some conflict between himself and the draftsman, or himself and the Member, the Member might complain that he had brought into view a great number of things not really touched, and that he had insisted upon continuing them upon his "note," and that he had thereby improperly impeded the passing of the Bill, it would be necessary that the officer should justify himself in that case to the House; and it seems to me that there is no better instrument for doing that than the Chairman of Committees, with whom he would be in communication upon all matters of doubt or difficulty. I also suppose that it would not be long before the revising officer became aware of some safe regulations which might be made for his guidance, some orders which might be made to oblige draftsmen of Bills to present them in a certain manner, accompanied with a certain note or otherwise. Some

things,

things, in which he would require more authority of The House than would be vested in him by his mere appointment as clerk, would, I think, be best brought before The House by the Chairman of Committees. On the other hand, I look upon it as undesirable to have a Committee of 11, or any other number, meeting, as Committees do constantly, to do nothing at all,—frequently with no work before them,—necessarily proceeding in the absence of some Members of more or less weight in the Committee,—not acting with one mind and one will; above all, inasmuch as this duty of the revising officer is confined to that which he by himself can do effectually, and there is not matter which will require endorsement by a Committee, or the consideration which a Committee would give to it, I think that there would be no uses whatever in a Committee, large or small, and moreover that a Committee would never communicate so simply, so methodically, and so effectually with The House as the Chairman of Committees would, if he were charged with this duty. I think that a Committee would be useless and cumbrous, and would involve delay, which would not in the least attach to such an officer.

786. Mr. *William Ewart.*] In your former evidence, you stated that you had studied foreign codes with a view to the adoption of a code for ourselves?—As a matter of interest, a code has never come into my hands without my reading it. Some I have studied.

787. Could you put into the Appendix to the Report of this Committee any short specimen of the mode of legislation which is adopted in foreign codes?—It would not be very easy to do it shortly, because I know of no code which does not itself very much differ in the style of legislation.

788. Can you give a specimen?—It is very easy to give specimens, and not difficult to give comparative specimens. I should say that all the modern codes very much follow the Code Napoleon, except that there has been a great addition of other things called codes to the Code Napoleon; and, amongst others, they now get into the fashion of calling everything a code which is in the nature of consolidation. The style of expression, and the system and order, I might be able to bring into view succinctly; but they differ very much in every code that I know of. The code which is most consistent in itself is the Sardinian code, which seems to have been very carefully revised, with a view to its formal arrangement, and it is superior in that respect I believe to any other.

789. Can you give us an idea of the collocation of words and the simplicity of phraseology in foreign codes, and the means of comparing them with our own?—I do not think that that is possible. The characteristic of the language of most of the foreign codes, particularly those which follow the model of the French code, is generally that the language is extremely simple, not encumbered with much detail, not drafted with the suspicion that it will be much quibbled about. They are all of them backed by a rule of jurisprudence, which makes it unnecessary to go into such particulars as are imposed upon our draftsmen. The judge, in all those systems where there is a code, I believe without any exception, is compelled to made a decision. The rules laid down for him, which are usually very succinct, point to that, and he has to make an equitable decision if he does not find it in the words of the code. The result is, that a great deal of particularity is dispensed with, which is more necessary to us; so that the character of the language of all the codes which I am acquainted with, all the modern codes at least, is that it is extremely near to popular language. Great pains have been taken to divide the matter into small sentences. If there are qualifications, if there are any particulars which come under the general terms, they are enumerated, they are put into a list, and are very succinctly expressed. There is not an attempt, as is common with us, to give to a multitude of small heads the connexion of one continuous sentence.

790. That simplicity of proposition and that succinctness of exception are much better, you think, than our system, in which the proposition and the exception are frequently put together with a parenthesis, which causes a confusion of language?—I think so. I think the foreign plan of expression, if we could reconcile it to our system of jurisprudence, is incomparably better; and as it is, I think it quite easy to break up the long sentences which our draftsmen have brought into general use, if they only had due regard to the fact that they should place the general before the particular, and that they should connect particulars of an analogous kind together. All that requires a little attention

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to order, which is very much out of the habits of the practising lawyers, who, for the most part, draw Bills; the style of an indictment, the style of special pleading, the style of a conveyance or deed, and so on, govern their notions of the style of drafting a Bill for other purposes; and the result is that we have a precise, but continuous, parenthetical, lumbering style, instead of a succinct and simple one.

791. Mr. *Henley.*] You have spoken of the Code Napoleon; are you acquainted with the working of the French courts of law upon it?—Yes.

792. Being acquainted with the working of the French courts of law, will you state what body of law (if I may use such a phrase) has grown out of the decisions of the French courts upon the Code Napoleon?—The quantity of decision is not less than our own; it is rather better methodised; it is reported in a better form; it is collected from time to time into something like a methodical collection.

793. Will you state whether or not the decisions of the French courts of law upon the Code Napoleon have almost created a body of judge-made law apart from and independent of it?—I should say it is not so much judge-made law as illustration. With regard to the decisions of the courts, especially those of the Court of Cassation, which of course are valued for their authority more than those of any other court, I should say that the reports which take place of those decisions are rather illustrations of the particulars which would fall under the general expressions of the code. It is true that those particulars are not methodically sought for, they are such as arise casually in the course of litigation, but the mass of decision is altogether illustration you may say, in which the actual circumstances of causes constitute the illustrative examples.

794. Without applying the term "judge-made law" to it, we may say that the code has been developed by the actions of the courts?—You may.

795. Taking, for instance, not the criminal part of the code, but the part which relates to civil rights, has there not been a great reference back again to the decisions of the old French courts and to the old French lawyers to help them to develope it?—There are more references in that branch of the law to Pothier I should say now than to the code itself; wherever Pothier has made a treatise upon any part of the subject, I believe that it will be found that either he is referred to directly or reference is made to text-writers or others who have referred to him; he is referred to, directly or indirectly, I should say more frequently than the code itself, because his treatises contain a more expanded statement of the principle, and also a greater amount of illustration than there is in the code. This is facilitated by the fact that the code very much follows Pothier; it is only a more succinct expression, for the most part, of that which is to be found in an ample form in Pothier's treatises. But there are other celebrated French writers, Domat is one well known in England, who have been for ages remarkable for their method of exposition, for the formal logic which they have applied in framing their treatises, and therefore for having produced very readable treatises, and treatises consequently which are very easily and readily referred to. It is the fashion to refer to other eminent text-writers. The code by no means seems therefore, especially in civil matters, to be the beginning of legislation, or, at all events, the beginning of the law; it goes back through Pothier as far as the Roman law for the most part, for Pothier is only another exposition of it and its modern developments.

796. The code having been now in existence for about half a century, it has become by the action of the courts upon it, both on the civil and on the criminal sides, so developed, that I suppose a party wanting to know what the law in France is, would have very little chance of getting at it if he simply looked at the code?—If he were an experienced person, he would see in the general expressions of the code enough to remind him of the majority of the cases which had come within his own experience; if he were not an experienced person, then I think, undoubtedly, he would be very much deceived if he attempted to apply the articles of the code, without the aid of this jurisprudence, to any given case.

797. Then of course this experienced person must have an opportunity of considering not only the code, but the decisions upon it, to enable him to form a correct judgment?—Yes.

798. That is to say, he must be a professional lawyer?—Many men of business are as good in that, or better than professional lawyers.

799. Whether

799. Whether they be professional lawyers or not, they must have turned their attention to the decisions upon the law?—Yes.

800. You have paid much attention to this matter. What, in your opinion, will be the development of the French law 250 years hence, judging in any proportion by what has been done in the 50 years that the code has been in existence. I understand you to say that they have gone back to the Roman law already?—They never dropped it. The very day after the code was promulgated, I am sure that in every court of justice in France the Roman law was being quoted as having an interpretative value in the understanding of the articles of the code. The practice is not new, it always has been so; all the French lawyers are educated, you may say, in a system of Roman law. But I must not undertake to make an estimate of what 250 years would do; I, however, think I may say this, that the development will every day be less and less. The first labour has been to supply all the illustration which, after a great formal revolution in the body of the law, became necessary over the whole range of the code; it was worth while noting all the illustrations at first in the exemplifications which were found in the proceedings of the courts of justice. In succeeding time, that which has been done not requiring to be done again, the labour becomes less and less. The application of the French code to particular cases, such cases as are found to arise in the present state of society, must be very nearly exhausted. New cases will always arise by a change of circumstances and the progress of society; those will come in for judicial treatment; they will be reduced under their proper subjection to articles of the code, and special reasons will be given by the judges for such inclusion; but the quantity of comment now required of courts of justice must undoubtedly be much less than when the code was new. I therefore say that it will be in a diminishing ratio that the necessity will exist for this sort of publication. On the other hand, booksellers and other people who live upon the vocation of reporting will always report a great deal more than they should do; how much they may at any time please, following their own interests rather than those of the public, to print and publish, nobody can say.

801. You have stated, and stated properly, that the development of the law has been greatly caused by the complications of society which are daily arising; is there any reason to suppose that the process which has gone on for the last 50 years in increasing the complications which have arisen in society may not still go on increasing them?—That may so; but it will only bring that new matter which is caused by the increase, whereas, immediately after the passing of a law, you have all that has been created by past time to be brought under its operation, and you have the illustrations which are formed by a number of existing things, the new things arising in the subsequent progress of society being comparatively few. In the subsequent stages we have to deal with the new cases which arise, but at first we have to deal with all the old cases which exist.

802. Then you think that the framers of the code were not able to deal with the state of society as it then stood?—On the whole, the success with which the code has been applied during these many years, and the satisfaction which it has given, I think is evidence that they were capable of dealing with the state of things as it then existed. Their duty was to deal with it in a compact, lucid, simple form; it was not their duty to re-expand the expression of the law (their first operation having been to contract it) in application to all kinds of particular cases.

803. It was not their duty, you think, to apply it to the cases even then existing?—It was their duty to find as much as possible general expressions which covered all cases that then existed. If those general expressions would inadequately suit special cases, it was then their duty to resort to specialties to cover those special matters.

804. The French have the advantage, this code having been in existence for 50 years, of having the general terms of it immediately explained by the courts of law as the cases have arisen?—That is matter of necessity; let the law be good or bad, it must be expounded in reference to the particular cases which come before a court; at least its application must be as near as possible to an expression admirable for its generality. To those who do not see the range of the general expression, the illustration of that range is afforded by the practical and demonstrated application of the rule in a particular case brought before the court.

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805. Have you a sufficient acquaintance with the decisions of the French courts to enable you to give the Committee any information as to whether this development of the law has proceeded in a continuous uniform course, or whether there have been different opinions, and an overruling of the decisions of previous judges, whereby a change has been introduced?—There are not infrequent instances of the supreme court overriding the decisions of the same court.

806. The supreme court of one 10 years has differed with the supreme court of another 10 years?—Yes, it has sometimes differed with itself in a comparatively short space of time.

807. I do not refer to the subordinate courts; those would not afford a proper illustration?—I only speak of the supreme courts. There is a work which I read some years ago of a very well known and celebrated man, Monsieur Fœlix, the instances in which are somewhat numerous when previous decisions, apparently in exactly the same matter, have been professedly overruled by the supreme courts of appeal in France. I should say (but this is only matter of general impression) that they are nothing like so important when they do occur as the like instances with us, but they are not infrequent.

808. To that extent, at all events, the term "judge-made law" would not be inapplicable?—I think there is very little "judge-made law" in France. I think it is generally the application to the particular case of the general expression found in the code, or found in the law which regulates the matter. Of course there is a vast quantity of other law besides the code; there is a great deal of legislation which is not in the code.

809. My question only had reference to the code?—But wherever there is a law existing upon the subject, the French courts recognise it as their duty to apply that law. It is very rarely, I think, that they have found the law silent in France; they always seem to be able to find some articles of the code which are put in the preamble to their decision: *vu* so and so, and *vu* such an article. They have not found themselves under the necessity, I think, very often of making the law. They have very frequently found themselves compelled to use a great deal of subtlety to make an application to things difficult to reduce within the article.

810. I am only having reference to those cases which you have stated are not of infrequent occurrence, where the supreme authority has overruled or disturbed the decisions of a former supreme authority?—I think my answer ought to have been this, that there have been different views taken of the interpretation of articles of the code by the same court, at different times, by successive judges. They are questions mainly of interpretation, generally involving this: Does a given set of facts come within a given interpretation? Sometimes the facts are such as to raise a question whether the old interpretation is good. Something crucial is found in a certain state of facts which tests beyond the expectation of those who made the first decision the legality of that decision; the judges review that decision with this new and more severe test applied to it; and frequently it is nothing but the appreciation of some telling element in the facts of the case before them which compels them to review the old decision and to give a wider or a more restricted interpretation.

811. I understand you to say that, so far as your information goes, conflicting decisions in the supreme courts in France are frequent, but not more frequent than in the supreme court of this country, namely, the House of Lords?—I should say rather less frequent. I would not say as to the decisions of the House of Lords.

812. The House of Lords is the supreme court in this country?—That is true; but few cases comparatively come before the House of Lords. The facility of appeal in France is very great; it is very cheap. Taking the cases which come before the House of Lords, I should say they are certainly not one to hundreds, and I should say not one to thousands compared with those which come before the supreme courts of appeal in France. Therefore, there being more occasions for difference in France, if you estimated it in comparison with our supreme court, which is to a certain extent a nominal supreme court, not reachable by an ordinary litigant dissatisfied with the decision of a court of law, undoubtedly the number of conflicting decisions reported in France would be found greater; but it would be otherwise, taking it that those conflicting decisions

sions which had not been appealed from, although made in our courts of Westminster Hall or our courts of Chancery, were, until set aside, good decisions.

813. They are subordinate courts?—They are subordinate courts, but until their decisions are attacked and brought into the House of Lords, they are practically the supreme court which has decided in any matter; I mean they are the highest court.

814. That is so in France; but still I understand you that the conflicting decisions of the supreme court in France are infinitely more frequent than those of the supreme court in our country?—No: but estimated by reference to the standard of the conflicting decisions of the House of Lords, they are more frequent.

815. I am speaking of the House of Lords; that is the supreme court?—Estimating them by the standard of that which may be said to be the final decision in fact, namely, the reported decisions of such courts as in England have authority, and whose decisions are reported as having judicial authority, I say that my impression is that the conflicting decisions in England (I mean decisions overruling previous decisions in England) are much more numerous than those reported in France. But I think that they are two such different standards, namely, the House of Lords as our supreme court and the Court of Cassation as the French supreme court, that it would be no fair measure.

816. Take the next court below the House of Lords, the Court of Error; do you think that within the last 50 years the decisions of the Court of Error have been overruled by the Court of Error itself more or less frequently than in France?—They are not very many.

817. In your opinion has the second court of this country more or less frequently overruled its own decisions than the supreme court in France within the last 50 years?—It would be very unfair in me to pretend to form an opinion upon this sudden question. I have not attempted to estimate it numerically; my impression as to the amount of real difference involved is very much in favour of the consistency of the French courts. I speak of substantial difference. But as to the number of cases which have been decided in which that difference has been manifested, without some care in looking at the books with that particular view, it would be impossible to estimate it.

818. Then how have you arrived at the conclusion that the French decisions are more uniform?—Chiefly by this; that there is not in any full French text-book or professional treatise upon any subject, nearly the amount of doubt expressed, founded upon judicial differences, which is found constantly in English treatises and text-books. I cannot pretend to have looked minutely, or with any degree of constancy, though I have with interest, and occasionally, at the different collections of decisions. The *Bulletin des Arrêts* of the Court of Cassation alone extends to about 120 volumes. But the impression which is necessarily made by any full French text-book in comparison with any English text-book on the same subject, is always disadvantageous to the state of congruity of English jurisprudence as compared with French jurisprudence. The decisions in England are not so congruous one with the other and so easily reconciled one with the other as in France, because they want that close and reciprocal connexion which the articles of the code give to decisions grounded on them.

819. Then you form your opinion, not from any comparison of the facts either in the Court of Error, or in the supreme court, the House of Lords, but from finding doubts more frequently expressed in the English text-books than in the French text-books?—No; I have the general thing in view; I say that the chief impression is made in that way, but I have looked a good deal at the matter in detail.

820. Have you had any opportunity of comparing the facts?—If you mean comparing them numerically, certainly not; I never thought of comparing them numerically; I think that it is no just standard of measurement.

821. Have you or have you not had any opportunity of comparing them in substance if not numerically?—Yes, in a great many instances.

822. Is it your opinion that the supreme court, the House of Lords in this country, or the Court of Error, has more frequently overruled its own decisions within the last 50 years, in principle, than the French courts have done?—No, I would not say that. As I said before, I think that the occasions for overruling decisions in France are much more numerous on account of the cheap and the accessible character of the French courts of appeal as compared with ours.

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823. Then, if you do not think that our courts have more frequently overruled their own decisions in principle, what meaning did you assign to the word when you said that they were more frequently overruled in substance, but not in number?—I said, or meant to say, that judging by the amount of substantial divergence (I mean legal and logical divergence), it appears always to me, in looking at the results of French jurisprudence, that there is more congruity in dealing with the same subject with a view to its practical bearing. In English jurisprudence I find that there is less congruity; that is what I meant by saying "in substance." The attempt to estimate it numerically I should fancy must fail, because there is a want of any common standard of valuation; but the resulting effect upon my mind, in getting up any subject in the French law is, that I seem to have a better possession of principles, and a more connected impression of the law as the result of any such investigation, than results in my own mind from a similar investigation of the materials of English law, of course always looking, as one is compelled to do, at the decisions which are of the greatest weight in both cases.

824. I am confining you to the last 50 years, which is the time during which the Code Napoleon has existed. I now understand you to say that, taking the definition which you have given to "substance," you think that the French decisions in their supreme court of appeal have been less varying than ours for the last 50 years?—I think in substance they have been less varying than ours, greatly.

825. Will you be kind enough to draw a distinction between "substance" and "principle"?—I draw no distinction. I think them in regard to a decision on a question of law the same thing.

826. I understood you to say before, that you did not think that our courts, speaking of the Court of Error and of the House of Lords, had so frequently overruled their own judgments in point of principle as the French courts?—There we come again to the other estimate of the number of instances.

827. I am not speaking of number; I am speaking of principle. You said that the House of Lords and our Court of Error had not, within the last 50 years, so much overruled the principles of their own judgments as in France. What distinction exactly do you draw between the principles of decisions and the substance of decisions?—I take it that relatively to the decisions of legal questions they are the same thing. I meant the same thing by those terms. The principle of a decision upon a point of law is the substance of a decision.

828. Then the principle and the substance being the same, if I understand you, though it is more easy in the French courts, on account of the law having been laid down in a code, to arrive at the principles, yet, in spite of that, they have overruled more of their own judgments than our Court of Error or our House of Lords, with greater difficulties before them?—I think it is certain that there has been a greater number of conflicting decisions of individual cases.

829. Now you are coming to numbers; let us keep to principles?—If it is to be tested by that, which I think is the correct test, namely, in what degree has the ruling principle in any matter differed since the existence of the code in France, and in what degree has it differed as laid down by the courts which have made the last and governing decision upon the matter in England, I should say that the doctrine upon any subject has been less liable to fluctuation in France during that period than with us. By "doctrine" I mean principle; by the word "principle" I mean the substance of the decision as to the law involved in a case. I mean the same thing in all three. But if it is to be estimated by the number of cases which the courts have had before them, the number of occasions where they may have made minute differences, differences which resulted eventually in filling out the full amplitude of the principle, I say if you estimate it by the number of conflicting cases reported, that inasmuch as a greater number of cases come before the supreme tribunals in France than come before our supreme tribunals, instances of the court overruling its previous decision, I think, will be found to be very much more frequent in France than in England. I still think that the substantial differences will be found to be greatest in England; that is to say, that the variations of considerable bodies of doctrine, that the variations having a considerable range, will be found to be much more frequent with us. It is very rare indeed that decisions overthrowing other decisions take a very great range in France. My impression is, that the range of principle finally established and the range of

principle

principle overthrown is apt to be much greater in England than in France. The differences exist there upon comparatively minute points. They are apt to be upon much larger positions with us.

830. Is it your opinion that there have been very great points of principle within the last 50 years in which the House of Lords or the Court of Error has overruled its own decisions and produced a change of law in consequence?—No, they are not very great. I only say that they seem to me to be relatively great in their range of principle.

831. Relatively great to what?—Relatively to similar conflicting decisions of the courts in France.

832. Then I am to understand you now to say that the House of Lords and the Court of Error in this country have more frequently in the last 50 years overruled their own decisions and laid down new principles of law than in France?—Not more frequently; I understand by frequency the number of cases. I think that the result of such overruling in our courts constantly has a larger range of operation than with them. With us it is generally put upon a matter merely of principle, of ratiocination; the grounds of a decision range wide. In France it is always, or more frequently, put upon the interpretation of an article or definite articles only of the code; there the thing cannot have so wide a range. Establish a small difference of interpretation, a small jurisprudential difference in England, and it is one which will affect everything analogous to it; every other decided matter is subject to change by this result, inasmuch as we may always argue by analogy from one decision to another which has any affinity to it. In France one is always prevented from that by the obstacle of having to argue by way of deduction, by way of interpretation of a particular article. The range cannot be so large where you are restrained by the articles of a code, as it may be where the matter of discussion depends upon the fortuitous decisions of previous courts of justice, where what was established before was only established upon analogical reasoning, the disturbance of which disturbs the whole range (it may be an infinite range) of analogies. The basis of the thing constitutes the ground of difference. In our country the changes are analogical; in France they are changes in the interpretation of articles of the code; minute differences, which commonly have no range beyond the terms of the article. I therefore say that it appears to me that wherever there is a judicial change of view upon any subject in England, it takes a larger range in substance than in France; I mean the matter logically involved in that decision of principle; I mean the very terms, expressed or implied, of the decision itself, or the reasoning upon which it is founded; I say it takes a very large range as to principle, substance, and doctrine in England; a range which cannot be foreseen until you exhaust all the analogies of the case, but which can be pretty well foreseen in France, inasmuch as it cannot affect more than the interpretation of definite articles of the code.

833. Mr. *William Ewart.*] In France the code brings you back to first principles, as I understand?—At all events, it brings you back to all those admitted principles which are in the code.

834. You have said that you consider that there is less of what is called judge-made law in France than there is in England?—Yes.

835. Does not what is called judge-made law in England often arise from some existing uncertainty in our legislation, or our common law?—Very frequently from both; judge-made law for the most part must be sure to exist in the range of the common law. When it is a statute, it is a mere question of interpretation, as to which judges may be mistaken, and they sometimes strain a statute and include more than was probably intended to be included, or they exclude what was intended to be included.

836. It arises from some uncertainty in the one form or the other?—Yes.

837. Therefore is there not the more necessity for a careful superintendence of our passing legislation?—It appears to me to be so.

838. If the judges are driven to give their own interpretation to the law, and, in fact, to make the law in interpreting the law, does not that show that there is more necessity for a careful revision of current legislation?—Undoubtedly. A great part of the decision of the courts of law is admitted, even in the very terms in which the decision is propounded, to be hampered by the difficulty of reconciling the legislation. I do think that we should have an infinitely better

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form of decision and of intrepretation if the courts only had reasonable documents to interpret.

839. I wish to bring this matter to bear upon the proposal for establishing the officer whom we contemplate. How far in France and in other countries have they a revising officer or a revising Board to ensure the proper consideration of passing laws?—I believe that in countries having codes they very generally follow the French example (I know they do in Sardinia and in the Two Sicilies) of having something in the character of a legislative bureau, in which a main part of the business of the members is to see to the form and logical character of any proposed new law, and its retroactive effect upon previous legislation, and they always do proceed much more carefully to revise the old when they make the new.

840. In fact, they have in principle what you now suggest?—Yes; and more than I now suggest, although I have suggested it in my papers. They have very much the fashion of re-enacting the old matter with the new matter interpolated in its proper place, and so of not destroying the consistency and cohesion and system of their codification.

841. Are you aware that when the people in New York had their code revised, they re-enacted conflicting statutes, and fused into one short sentence possibly that which had theretofore been deemed conflicting and uncertain law?—Yes.

842. That is stated by Mr. Dure in his evidence before the Committee of 1836?—Yes.

843. *Chairman.*] Have you any further observations to offer to the Committee?—I think it desirable, inasmuch as there have been only some parts of the process which the reviser should follow which have been touched in previous questions and answers, that I should sum up what appears to me to be the course which he would take in the performance of his duties. I do not know whether it is too much by way of anticipation. As yet the Committee have scarcely taken a connected view of what would be his operations. That is one matter upon which I should be glad to say a few words. To save time, I will read my short note on this subject:

[*The Witness read as follows:*]

THE Revising Clerk would proceed thus—

1. He would, at the first or early after his entering on his office, and according to his then knowledge, frame "Suggestions" for the use of Draftsmen,—

—as to the "Draftsman's Note" of the interoperation of the Bill and previous statutes; requesting them to indicate this in relation to every clause in the Bill.

—as to modes of Expression; (perhaps, as set forth in the "Legislative Expression.")

—as to the Arrangement of the matters of the Bill (perhaps as set forth in my paper on Digestion of the Law, pp. 57–67.)

Copies of these "Suggestions" should be kept ready by the Printers of the Bills, and one always transmitted to the Draftsman with the first proofs of each Bill. As to Amendments this would not be necessary.

2. He would, on perusing each Bill or Amendment, see to the Compliance or Non-Compliance with the subsisting "Suggestions" or Orders.

Compliance would pass without a special note; it would be indicated by the simple approval of the Bill or Amendment in the "Reviser's note."

Non-Compliance would in every case be noted, and he would send his rough draft of the "Reviser's note" to the Draftsman of the Bill, or Mover of an Amendment, containing a notification of his being prepared, if necessary, to confer thereon;—

if agreement were come to, it would be a Compliance;—

if not, the Reviser's objection would stand noted, in the "Reviser's Note," to be attached to the Bill, printed and circulated with the Bill, for the information of the House.

The House, with this information before it, would act on it or not, as it saw fit.

3. He would keep an interleaved Copy of the Statutes at Large, and a full Index in which he would, as Acts were printed, enter notes of Repeals, and Amendments, deleting all matter Repealed, or Expired.

This copy of the Statutes and Index would be referred to habitually by himself in collating Bills and Statutes,

and it, or a second copy, would be open for the use of Members and Draftsmen engaged in preparing Bills or Amendments."

Another matter upon which I should have wished to speak was as to the amount of the labour of the Reviser, which has been partly touched, and I do not think it is quite so necessary to go into that; it has been perhaps adequately considered already.

There

There is one other matter, which has been before the Committee in the suggestion of a person whose opinion is entitled to all respect; namely, that the Statute Law Commissioners should frame the rules for regulating the conduct of the Reviser. I have observations to make as to the objectionable operation of that course, and as to the propriety of the Reviser himself ascertaining by experience the nature of his duties, and getting the regulations of his duty made from time to time by The House itself. With respect to the competency of the Statute Law Commission to do this thing, I have to observe, that in what they have done hitherto they have displayed anything but such competency, either in the "Instructions" which they have laid down for their draftsmen, or in the very terms of this Report which they have got to be laid before you. Their want of connexion of thought, and want of all possession of the principles and practices of expression which would be applicable to the terms or the form of any law, are so important, that I will take the liberty, if you will allow me, to say a few words in close application to that point. I will pass over all the introductory part of their Report, although it is subject to most of the observations which I shall have to make as to that which is the gist of the Report. But this is a specimen of the style which they use themselves in defining the duties of the officer whom they propose that you should appoint to act in connexion with a Committee of the House. I confine myself to the gist of the thing which has been the subject of about two years' continuous discussion in that Commission, and which has been over and over again before them in one shape or another. This is what they say: "We therefore beg leave to submit to Your Majesty, that, in our opinion, the most effectual method for ensuring simplicity and uniformity in, or otherwise improving the form and style of, future statutes, would be the appointment of an officer or Board, with a sufficient staff of assistants, whose duty it should be: To advise on the legal effect of every Bill which either House of Parliament should think fit to refer to them,"—in remarking on this, I now intentionally omit all reference to the practical uselessness or impossibility of this: but the Committee will observe that the term "the legal effect" must be "the effect" both upon the Common Law and upon the Statute Law, and that if "the effect" of the Bill is to repeal a statute, that is its "legal effect;" if its "effect" is to modify a statute, that is its "legal effect." Then comes in the same sentence the second duty of the officer, "and in particular on the existing state of the law affected by the proposed Bill." Manifestly this is exactly the same thing as before,—the very "legal effect" of the Bill and nothing else, more or less; "the existing state of the law affected by the proposed Bill" is "the legal effect" of the Bill. There can be "no effect" of the Bill as law but upon the law "existing;" there can be nothing in the second duty which the officer has to perform that is not in the first. "The legal effect" of the Bill is clearly the "effect" of joining the matter of that Bill to the rest of the law with which it will have to co-operate. The effect of the mixture is A. plus B., the same thing as B. plus A. That, then, is the second duty of the officer; the same duty, but in its terms varied, without any purpose so far as I can discover. Then come four words which have some significance of their own, "its language and structure," that is a new thing, and really a proper, pertinent, feasible, and useful thing to revise. The Report then goes on with the fourth duty,—"and its operation on the existing law;"—exactly the same as they have stated before in 1 and 2. Then they go on again apparently to a fifth duty—"and also to point out what statutes it repeals, alters, or modifies," which I think the Committee will find is exactly the same as before, the operation on "the existing state of the law affected by the proposed Bill." It would have been impossible, if it repealed a statute, to state on other terms "the legal effect" of the Bill than that it repealed that statute; if it altered a statute it would have been impossible in stating under the first head "the legal effect" of the Bill to state anything else than that it did so alter it. Then they come apparently to a sixth duty, "and whether any statutes or clauses of statutes on the same subject-matter are left unrepealed or conflicting;" which, I say, is again the same as No. 1 and No. 2, and No. 4 and No. 5; it is clearly still "the legal effect" of the proposed Bill and nothing else. Now, this is the gist of the Statute Law Commissioners' statement of what their officer is to do; here are 76 words; here are seven clauses, of which 72 words and six clauses are all purposeless, meaningless iteration of the very same matter.

844. Sir *FitzRoy Kelly*.] What page are you reading from?—I am reading

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from page 6 of the Second Report of the Statute Law Commissioners, the subject of the inquiry of this Committee.

845. Mr. *Walpole.*] Let me test it for one moment. Supposing you say that the state of the law upon a given subject is so and so generally, that is one thing; and is it not a totally different thing, at least, is it not something superadded to that one thing to say, that the state of the law is so and so, that it is affected by this and that statute, enumerating the statutes, and that it is affected by this and that clause in the statutes which are not mentioned in the Bill; are not those entirely different things?—No; they are not different things. If "the effect" of the law is to repeal a statute, you may use the word that it "abrogates" it, that it "supersedes" it,—you may use different forms of words, but if it does repeal that statute, it is merely varying the phraseology to express the same thing. It appears to me that there is no possibility of speaking in any terms to imply "the legal effect" of a Bill which does in truth repeal a statute, for instance, but to say that it repeals it. You may use longer or shorter words, but there is no other possible effect if it does repeal, than that it repeals. I point this out as an example, and, I should think, a fair one, of this Commission's incapacity for the suggested duty. It is borne out by a comparison of all the documents which this Commission has issued, and especially by their "Instructions to draftsmen," where they have availed themselves of matter offered to them very well expressed and accurate; but their document has all this character of iteration without purpose, and confusion of idea, such as you see here. Here I say are the duties of their proposed officer, expressed in seven clauses, every one of which, after the first, is mere repetition, except just these words, "its language and structure," two of which only are substantive. There are just 72 words out of 76 spent here in mere iteration, mere repetition, without any conceivable difference, to four words which have a separate meaning—18, or in truth 36 useless words to one having any use.

846. Sir *FitzRoy Kelly.*] Do you include in this censure the expression "and also to point out what statutes it repeals, alters, or modifies"?—I do.

847. "And whether any statutes or clauses of statutes on the same subject-matter are left unrepealed or conflicting"?—Yes; those are seemingly two things, as you observe, introduced by "and also," "and whether"; but again they are exactly the same as before.

848. Then do you think that repealing, altering, and modifying, are the same thing?—No,—but they are the same thing as "legal effect." If you compare this with the first clause, "to advise on the legal effect of every Bill," I think you will see that if "the legal effect" be that it repeals a statute there is nothing else to say; and to say again that it repeals a statute, is only to say again what you must have already said before under the first clause.

849. Allow me to put this case to you; suppose a Bill were submitted to an officer like this, which Bill enacted, that any seaman on board a foreign ship in the River Thames should be liable to a penalty, if he did not return to the ship after leaving it by eight o'clock at night; and suppose that that clause had the effect of entirely repealing some Act of the reign of Henry the Sixth; that it also had the effect of adding to a penalty imposed for the same purpose by an Act of William the Third, and that it also altered the hour of the return from seven to eight o'clock, which hour was first specified in an Act of George the Third; do you think that it would occur to the mind of any gentleman, if he were merely instructed to point out the legal effect of that clause, that he was also required to point out that it repealed an Act of Henry the Sixth, altered an Act of William the Third, and modified an Act of George the Third?—Undoubtedly. He could not do it in anything but those terms. If it did so modify the penalty, it would be merely concealing the fact or stating it incompletely, if he did not describe the Act of William the Third, under which that altered penalty was imposed. And so as to the other suggested modifications of statutes.

850. My question to you is this, whether, if instructions were given to a gentleman revising a Bill to state the legal effect of the Bill, you do not think that he would very naturally suppose that he had performed his duty by saying, "The legal effect of this Bill is to impose a penalty upon any seaman leaving his ship, and not returning by eight o'clock at night"; would you not yourself think that you had fully discharged your duty by saying that that was the legal effect of the Bill?—I should certainly not consider that I had discharged my duty of reporting, as a legislative officer, upon "the legal effect"

effect" of the Bill. The "legal effect" in this case supposed is to make a new rule, and to abrogate another; the "legal effect" is not merely half that, namely, only to make the new rule. I could not state the true "legal effect" of the new rule without saying, "This makes it eight o'clock, whereas by such an Act it was seven o'clock. This makes the penalty 40 *s.*, whereas by such an Act it was imprisonment." The effect is both those things, what it does, and, if it undoes anything, what it undoes. I should only be stating half the legal effect, if I merely stated what this thing did in its own terms, and not what it did by its "legal effect" upon a previous Act.

851. Then do you think that any gentleman and every gentleman instructed to state "the legal effect" of a clause in a Bill, would, of his own accord, and without more, think that he was called upon to refer to the whole statute book, and report upon how every clause of every Act of Parliament in the statute book was affected by the clause of the Bill; as a matter of fact, do you think that that would occur to every gentleman if he were merely called upon, a Bill being laid before him, to report upon its "legal effect"?—Undoubtedly, I think that every gentleman reporting as an adviser to the Legislature, who made a point of doing his work completely, would do so. A gentleman probably would think that he had done enough if, in answering a particular question on a private and individual "case," he gave half or a quarter of the effect, that might be all that was pertinent to the "case;" but if the gentleman is to report as an officer upon the "effect," I suppose it means complete effect. I cannot imagine that the officer would report partially upon the effect, saying what the Bill did without saying what it undid; saying what it did as new legislation, and leaving out of sight the old legislation which it affected. "Legal effect" I take to be both prospective and retrospective. If there be a prospective effect but no retrospective effect, the retrospective effect is not to be stated; but I take it that if you read "legal effect" to mean complete legal effect, it involves no less than both—what the Bill does prospectively and what it does retrospectively.

I again call attention to this fact, that here are six repetitions of the very same matter proposed to be done by this officer whom the Statute Law Commissioners propose to appoint. This may be a fair indication to the Committee of the clearness of view which they have as to this officer, and to what he would do. But what I have particularly to call attention to is the danger which would be involved in leaving the settlement of the regulations for the Revising Officer's guidance to a Commission which, after two years' discussion of this simple matter from time to time, having it in various shapes in printed documents before them, can put before this Committee, as the subject of your consideration, such a task as this, and can define an officer's functions in such terms as these. I should certainly think that we may go anywhere with more chance of getting plain English and getting some principles of clear expression than to this Commission. Their subsequent description of the qualifications of their proposed officer is subject to no less objections; and, in fact, the whole of this document is like all others which I have seen from them. For instance, the second branch of their Report is professedly upon the subject of "classification," in which not one word is said or suggested really pertinent to classification; it is all in truth about a mechanical division, it is all about a casual aggregation, but common sense and common English are wholly defied in every paragraph in that second division of their Report. It will be, as time fails me, for you to go into that. I should be glad to have an opportunity of going into it before this Committee, but it is absolutely indispensable, it seems to me, for the proper consideration of what is recommended, that this should be minutely looked at, and then there will be seen the great danger of adopting any such plan of aggregation or division, such as the Commissioners have signified by "classification," and by a great number of terms which have to the sense of those who have studied the subject some apparent relation to classification; but the Commissioners' statements have really no relation whatever to anything which can be properly called "classification," and with respect to which anybody accustomed to the use of the word could fancy that it was even implied or alluded to. I look with great alarm at the notion, that a Commission so incompetent to express its own long meditated opinions as this is, should have any influence whatever on the Revising Officer as to the rules which he shall follow in the examination of Bills or in the order of Bills. What I would respectfully urge upon the Com-

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mittee is, that the Revising Officer himself should by experience learn what he may safely do; that he may have the means of communicating his views to The House, which is always practical and sensible; for I think that in all the history of legislation it is not possible to find anything passed by the House of Commons which is so objectionable in every quality of sense, expression, or order, as this Report of the Statute Law Commissioners which is now before the Committee.

852-3. I am afraid you have this great advantage over the Statute Law Commission, that you are at liberty, while answering any question put to you by any Member of this Committee, to indulge in any extent of criticism upon the paper which has emanated from them; they unfortunately have neither the opportunity nor the time to meet these observations?—The Commission is most admirably represented by Members of this Committee, and I think, Sir, by yourself. I am here subject to any questions which any Member pleases to put to me. I could not be subjected to anything more dangerous than the questions which you yourself could put to me if my criticisms were not well founded. Nothing could be so dreadful, so dangerous, to any person with a reputation to lose as to come before this Committee and be subjected to that searching examination which he would be subjected to if there were the means of impugning his statements.

Sir *FitzRoy Kelly.*] I think it right to correct a mistake into which you have fallen; you forget that there is a limit to the time of the Committee, and I am afraid now, to the existence of the Committee. To meet the observations which have fallen from you, would require a much longer time than this Committee can sit to-day, or even in the present Parliament. I therefore think myself bound to say, as a Member at once of this Committee and of the Statute Law Commission, that it is from necessity only that I leave unnoticed, and leave you unquestioned upon, the whole of the matter which you have last addressed to the Committee; but I must so leave you unquestioned and I must leave the matter therefore unnoticed, because for myself personally I have no more time to bestow upon the Committee; I am also afraid that the Committee is about to close its sittings from necessity, and therefore your statement must for the present remain unanswered.

George Kettilby Rickards, Esq., called in; and further Examined.

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854. *Chairman.*] I BELIEVE you are desirous of giving the Committee some little further information with regard to the nature of your duties as Speaker's Counsel?—That is so. I have had an opportunity of reading the evidence which has been given since I was before the Committee, and I observe that some suggestions have been made as to my engagements in regard to private Bills, allowing me time to devote to the revision of public Bills.

855. You allude to the evidence of Mr. May, I believe?—Yes. I wish to explain to the Committee, not as at all objecting to having such duty in regard to the revision of public Bills as I may be able to perform put upon me, what the amount of my engagements at present is, and how far I think I should be able to devote any time to the revision of the public Bills. It was stated, I think, that the heavier portion of my duties in revising private Bills, occurs at the early part and the middle part of the Session, and that towards the latter part of the Session, when most of the private Bills have passed the House of Commons, those duties become more light, and that therefore I should have some time to spare at a period when the pressure of the duty in regard to the public Bills would be heaviest, and that consequently the two duties would be to a certain extent compatible. It is quite correct to say that my duties in regard to private Bills are much heavier during the first four or five months of the Session than during the last six weeks or two months. The latter is the time when the chief stress of the work of revising public Bills would fall upon the officer to be appointed. But at the same time it was said, and it is an opinion in which I entirely concur, and which my experience with regard to private Bills confirms, that an officer who should be appointed to revise the public Bills would find himself quite overpowered with work if he were not to take up the Bills until a late period in the Session. I think that the only chance of his being able to keep pace with his work, and to master the public Bills, would be by

by beginning at the commencement, by taking them in hand as soon as they are printed, watching them from stage to stage, together with all the amendments proposed in them, so as to be prepared by anticipation for the throng of Bills which would be pressing on him at the end of the Session, and to be able to form his conclusions upon the Bills speedily by means of the previous information which he had acquired both of the contents and of the subject-matter of the Bills. In the earlier and middle parts of the Session, when I am engaged with the private Bills, my time is often so much engrossed, that I fear it would not be in my power (certainly not without considerable assistance) to devote that time to preparing myself for acquaintance with the public Bills which I think would be necessary to enable the officer to discharge that duty effectively; in fact, the heavier part of the duty of revising the public Bills at the end of the Session would be less difficult of accomplishment to me than the necessary work of preparing myself for that duty in the earlier part of the Session, when I am almost entirely occupied with the private Bills. While I state this difficulty to the Committee, I beg at the same time to say, that I do not make this statement as at all desiring to decline the duty, so far as I might be able to perform it, of revising public Bills under any arrangement which the Committee may think best. On the contrary, I am not only willing and ready to devote all the time that I have to spare from my present engagements to the revision, but, taking an interest in the objects which the Statute Law Commissioners have in view, and which this Committee is endeavouring to carry into effect, it would be a satisfaction to me to be employed in that work. And I think that there would be a convenience and advantage in the same officer who is employed to revise the private Bills having a hand in the revision of the public Bills. I think that by that means uniformity between the two classes of Bills would be promoted, and that the two operations would mutually subserve each other. Therefore, whatever arrangement may be determined upon, I have stated, and I wish to state again, that I am perfectly willing, and shall be well pleased to devote any spare time which I have from my present engagements to the revision of the public Bills. If a new officer should be appointed I should be ready to act as the assistant to that officer if desired; or if, as was suggested, the duty should be put upon myself, I should be willing to make the experiment with the aid of a competent assistant, which I think would be quite necessary; and I would make whatever exertion might be required to do the duty to the best of my ability. I conceive that for the first Session at all events the plan must be in a great measure experimental; and I do not think that any one can estimate beforehand what amount of labour or of time which would be required from the officer. I apprehend that the first Session would be by far the most onerous, and that by the information and experience which he would acquire after one or two Sessions his work would be very much facilitated; but whatever the labour might be, if it should be thought fit, as I said before, I should be quite willing to make the experiment, and to use any extra exertion in my power to carry out the objects of the Committee.

856. Mr. *Walpole*.] Your time is principally employed now upon the private Bills, for the first three or four months of the Session?—I should say the first four or five months of the Session; I think about the beginning of June the private Bills have mostly passed the House of Commons.

857. Those are the most busy months?—Yes.

858. You made the remark that you thought that, with regard to the public Bills, the greatest amount of business would fall at the end of the Session, when the Bills are chiefly passing through the House?—Just so.

859. Would you not have to consider, further, whether the public Bills, though they do not pass until near the end of the Session, are not introduced, generally speaking, the great mass of them, at the commencement of the Session; and therefore, whether the officer who would have to supervise these Bills, and to whom these Bills would be referred, might not be called upon, when the private business was pressing upon his time, to give that assistance which he would hardly have hours enough in the day to give?—I think, as I have already stated, that it would be necessary that he should commence his preparations from the beginning of the Session for the work. But I think that the latter part of the Session, when many of the most important Bills are passing through Committee, is the time at which the officers' exertions would

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be most severely taxed, especially if he were required to act for both Houses at the same time.

860. If he was required to report, after the second reading of the Bill, or even after the first reading of the Bill, as to the legal effect of that Bill, or the statutes which it repealed, or altered, or modified, it would fling a great deal of business upon the officer to whom such Bill was referred, would it not?—It would so.

861. Having to attend to all the private business, supposing the House should require the officer to attend also to those matters which related to the public Bills, do you think that, unaided, you would be able to get through the double work?—Unaided, certainly not.

862. Sir *James Graham.*] You think that your own supervision might advantageously be distributed over the public and the private Bills with assistance?—Yes, I think it might.

863. And that assistance should in like manner be distributed over both classes?—Exactly.

864. That is the view which you would take, and you would think it, by way of experiment, as good a mode as any which you could suggest, namely, the supervision of yourself, with assistance?—That is rather a delicate question to answer, because it involves an opinion as to my own personal competency for the task, as to which I do not venture to pronounce.

865. Assume that, and that being assumed, do you think that you could undertake the double duty with assistance?—I think that the officer who holds my office, with adequate assistance, would be able to discharge both duties.

866. That brings us to the question of assistance; it would be desirable, I presume, that you should select your own assistant?—I should prefer to do so.

867. What sort of assistant do you contemplate?—I should contemplate the assistance of a well-trained young barrister, and I should prefer one who had had some practice in drawing, or had been by the nature of his avocations conversant with Acts of Parliament.

868. Do you not think that, by way of experiment, for the first Session of a new Parliament, such assistance could be obtained by you without a permanent appointment?—I should say, with regard to a new Parliament, that I also hold the office of Examiner of Recognisances, and am very much employed after a general election with respect to election petitions. It is my duty to examine the recognisances, to advise the Speaker, and sometimes the Election Committees, upon points of election law, and to give an opinion to Members, agents, and other parties with regard to any questions on which they consult me. I have also to tax the cost of election petitions; therefore a general election involves a good deal of additional employment to me.

869. Considering the period of the year when the new Parliament in this case assemble, will there not be rather less of private business than at an earlier period?—I cannot say to what extent the private business in the present Parliament may be diminished; I understand that most of it will be carried on to the new Parliament.

870. If carried on, your labour at the commencement of the Session of the new Parliament will be less than at the commencement of a Session under ordinary circumstances with regard to private Bills?—Then I shall have a shorter time to perform it in if Parliament does not meet till May.

871. Still, with reference to all the circumstances to which you have adverted, would you not be prepared with an assistant, chosen by yourself, to undertake the double duties in a new Parliament?—Certainly I would not decline the duty if it should be put upon me; but I think I should be considerably loaded with work of various kinds.

872. Even with an assistant?—Yes, on account of the election business, which is really very considerable after a new Parliament.

873. Mr. *Hughes.*] What time does the election business occupy?—It is perfectly uncertain.

874. The great bulk of the recognisances pass without objection, do they not?—No, it is not so; after the last general election I was employed for about six weeks continuously in hearing objections to election recognisances; there was no private business; it was in the autumn; my whole time was taken up with

with that duty; I had, I think, about 50 cases of disputed election recognisances; perhaps that is not likely to occur again, because I was then new to the post, and I think, being a new officer, the agents took the opportunity of trying questions before me which perhaps they would not try again; and for other reasons I doubt whether there will be the same amount of disputed recognisances after the next election; still it does amount altogether to a considerable quantity of business.

875. With the exception of that duty respecting the recognisances, is there anything inconsistent in the discharge of the duties of your present office with the discharge of the duties such as Sir James Graham has referred to, of revising public Bills?—I speak with a good deal of uncertainty, because, as I said before, I do not think, until the experiment is tried, any one can estimate what the amount of the work of revising the public Bills would be.

876. Would you consider that private Bills had a priority of claim to your attention?—That is a question not for me to consider; it must be laid down by those who determine my duties, which I am to prefer in case of collision between them; that would be one of the difficulties which it would be necessary to settle, if I should be unable to devote sufficient time to both, which of them I must then postpone.

877. Mr. *Henley*.] Did I rightly understand you to say that you thought that a considerable portion of the duty of the new officer would be at the time when Bills were in Committee, in consequence of the changes made in them?—Yes.

878. Taking the instance of a Bill in which considerable amendments had been introduced in Committee upon divisions of the Committee, and respecting which there had been a great difference of opinion, how would you propose that the House should deal with the information which you might afford them in consequence of those amendments, and at what stage?—I stated in my former evidence that the plan which seemed to me the best was, that the officer should take up the Bill, as a general rule, as soon as it had passed the second reading; in some cases before, but at all events as soon as that; that he should then examine the Bill, having the assistance of the draftsman and all the information which the draftsman had acquired in preparing himself to draw the Bill. That he should then point out to the Member in charge of the Bill, either himself or through the Committee, (if a Public Bills Revision Committee should be a part of the scheme adopted,) any of those defects which it would be the business of the officer to detect. An opportunity would thus be given to the Member in charge of the Bill to make any corrections in it which might be found requisite at that stage. Again, after the Bill had passed through the Committee, I suggested that the officer should again examine it, especially with reference to the amendments and the effect of those amendments upon the other parts of the Bill; that he should communicate his opinions and suggestions to the Committee, and that the Committee should exercise their judgment upon them.

879. What Committee do you mean; the Committee upon the Bill?—No; the Committee which has been proposed. The Public Bills Committee. I would propose that the Committee should exercise their judgment upon his suggestions, and if necessary, should communicate them to the House.

880. Then, if communicated to the House if they were of importance, would that necessitate the re-committal of the Bill?—No, I apprehend not. There would remain the power of recommitting the Bill, yet it would be as a general rule, not necessary to recommit the Bill for the purpose of adopting amendments agreed to by that Committee. It appears to me that the House might adopt, upon the authority of the Committee, those corrections which the Committee had agreed upon.

881. That is to say, mere corrections arising in consequence of the amendments in the Bill in Committee of the House?—Yes.

882. Would those be merely corrections of language?—No, not merely of language: inconsistencies, omissions or mistakes in the clauses of the Bill.

883. We will take a case where there is a great difference of opinion in the House, and an important amendment is carried upon a division; if you had to amend many other clauses of the Bill, on account of the introduction of that amendment, it being partly, perhaps, a question of principle, which sometimes is the case, very much affecting the whole character of the principle of the Bill, how would that be managed without recommitting the Bill?—I apprehend

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that these would be cases (I think they would be exceptional cases), where the recommittal of the Bill would be necessary, but I think that that would be seldom the case.

884. You think that the countenance of the Committee of Revision, or whatever it was called, would be sufficient to reconcile the House that they were safe without considering the Bill in Committee?—I think so, supposing it to be a Committee in which the House had confidence; I think that the recommendation of the Committee to the House would generally be accepted, and that the House would adopt the proposed corrections: the corrections not affecting any matter of principle, or policy, of course, but merely language and arrangement, or the removal of inconsistency, or the supply of omission.

APPENDIX.

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SECOND REPORT of STATUTE LAW COMMISSIONERS.

TO THE QUEEN'S MOST EXCELLENT MAJESTY,
In Her HIGH COURT OF CHANCERY.

WE, Your Majesty's Commissioners, appointed by Your Majesty's Commission and Supplemental Commissions, dated respectively the 23d day of August and the 15th day of December, in the eighteenth year of Your Majesty's reign, and the 6th day of February, in the nineteenth year of Your Majesty's reign, whose hands and seals are hereto set, do hereby humbly submit the following Report to Your Majesty:—

Since the date of our First Report, of the 10th day of July 1855, we have turned our attention, amongst other subjects, to that part of Your Majesty's Commission which directed us "to devise and suggest such rules, if any, as might in our judgment tend to ensure simplicity or uniformity, or any other improvement, in the form and style of future Statutes;" and to this subject we propose to devote the present Report.

We have had under our consideration two plans, the adoption of which will materially promote the object indicated: 1, the appointment of an officer or Board to revise and improve the current legislation: and, 2, the adaptation of a system of classification to the Public General Statutes. These two plans are entirely independent, and either one or both may be adopted or rejected. We will proceed to consider the two plans separately.

I. AS TO THE APPOINTMENT OF AN OFFICER OR BOARD TO REVISE AND IMPROVE THE CURRENT LEGISLATION.

We have already shortly adverted to this subject in the concluding paragraph of our First Report, where we have observed, that "perhaps nothing satisfactory towards the improvement of future legislation can be effected until either a Board or some other persons are appointed, whose duty it shall be either to prepare or revise, and report upon all Bills before they are brought into Parliament, and to watch them during their progress through the two Houses, either as officers of the Lord Chancellor or some other Minister, or as officers of the two Houses of Parliament."

Further consideration has convinced us of the necessity of taking such a step, if any material amendment of the present form and style of legislation is to be effected. The true causes of the present confused and unsatisfactory state of our Statute Book do not lie very deep. They are such as must, to a certain extent, perhaps, operate in all free deliberating bodies like our Parliament; but the evil admits of being remedied to a considerable degree. In respect of form, a conventional language, verbose and obscure, had by long practice come to be considered almost essential in composing Acts of Parliament, so that the persons engaged in drawing Bills have felt themselves nearly debarred from the use of a plain and concise style. In respect of matter, the Legislator is frequently not aware of, or is indifferent to, the extent to which his proposed measure will affect other branches of the law; or is not aware of the exact state of the law with which he proposes to deal; or omits to state distinctly to what extent the new measure is intended to repeal or supersede the existing law. Again, when an evil is felt, the remedy is usually applied only to the particular case in which the inconvenience has been perceived, instead of amending generally the error or defect which has produced the result complained of. Perhaps, however, the chief cause of confusion is the way in which hasty and inconsistent amendments, ill assorting with the rest of the measure, are made while the Bill is going through Committee. The proposers of these amendments have often only their own objects in view, and do not consider how far they will affect other parts of the measure itself. The promoter of the Bill too frequently assents to alterations and changes which

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he does not approve, for the sake of averting a protracted opposition; and thus the Bill often comes out of Committee in such a form as to justify the expression of Lord Tenterden, that, "though the Legislature cannot be deemed *inops consilii*, yet we may lament to find it *magnas inter opes inops*."

It seems obvious that the existence of any officer or Board, ready at the right time to give information and point out errors, and competent to prepare Bills, when required so to do, in plain and concise language, would be very effective in remedying the evils above indicated.

Some such plan becomes still more essential, if any system of consolidation of the Statutes is to be carried into effect. Unless legislation be carefully watched, even consolidated Statutes, however well drawn, may lose altogether their simplicity and completeness by amendments and alterations incautiously introduced in their passage through Parliament. After having been passed in one Session, they would often be altered in subsequent Sessions, without regard to what had previously been done. New accumulations of partially repealed Acts, probably also of conflicting provisions, would be "heaped together one upon another," and the great evil which we desire to redress would grow as fast as we were able to remove it. In addition to this, other legislation would also be going on, entirely independent of all labours of consolidation; and so, for want of some supervision, the best efforts for that purpose would be frustrated, numerous laws on the same subject would still be continued, and the most perfect consolidation would again become imperfect, and that in the course of a very few years.

We therefore beg leave to submit to Your Majesty, that, in our opinion, the most effectual method for ensuring simplicity and uniformity in, or otherwise improving the form and style of future Statutes, would be the appointment of an officer or Board, with a sufficient staff of assistants, whose duty it should be:—To advise on the legal effect of every Bill which either House of Parliament should think fit to refer to them, and, in particular, on the existing state of the law affected by the proposed Bill, its language and structure, and its operation on the existing law; and also to point out what Statutes it repeals, alters, or modifies, and whether any Statutes or clauses of Statutes on the same subject-matter are left unrepealed or conflicting; so that The House may have at its command the materials which will enable it to deal properly with the Bill.

The only material objection which has occurred to us as likely to be made to such a scheme as that above proposed, is the danger of making the authority of the Legislature, to some extent, subordinate to that of such a Board or officer. It does not, however, appear to us that there is much weight in this objection; the officer or Board would be a servant, not a master, as we do not contemplate that such officer or Board should report on the policy or expediency of any proposed measure. The powers of both Houses, and of all the Members of each House, would remain inviolate. But assistance would be provided for them, as well in advising on the effect of the Bills at the time of their introduction, as in watching them during their progress through Parliament, and keeping them in harmony with the whole law. The labour and anxiety of all Members of Parliament would thus be materially relieved, and the legislation of the country improved. A great saving of time would also be effected; for discussions which now arise, and amendments which it is now necessary to introduce in the various stages of the Bill, would often be avoided.

We have used the terms "officer or Board," because our plan no doubt admits of being worked by either means; but we are of opinion that a single responsible person with adequate assistance, would be preferable to a Board for carrying into effect a work of this kind. Perhaps there are few cases in which delay and uncertainty of action are not caused by the divided responsibility, and sometimes divided opinions of a Board; but in a case like the present, requiring the invention, or at least the practical application of a new mode of procedure, the exercise of much discretion, and the power of rapid decision and action, it would seem that anything like concurrent authority would be inconvenient, and that a single responsible head, with a well-organised staff of assistants, would work better. We think it would be convenient that the proposed officer should be the same for both Houses.

We now pass to the second of the two plans mentioned at the commencement of this Report:

II. As to the Classification of the Public General Statutes.

A classification of enactments is incident to the consolidation of the Statutes; but the plan to which we have now to direct attention is an arrangement for the division of the Public General Statutes of each Session, as they are passed, into leading classes;* and as a preliminary measure, the corresponding classification or "grouping" of the Public Bills.

The practical difficulty to be dealt with in the case of the Statutes is that the law which relates to any given subject, or which affects any given class of persons, is dispersed in a large number of volumes among laws relating to other subjects and to other classes, and among enactments some of which have ceased to be laws, and some of which never were laws, in the sense of permanent "rules of civil conduct."

This

* The only classification of the Statutes now established by authority is the division into Public General, Local and Personal (declared Public, &c.), Private Printed, and Private not Printed.

This difficulty has grown to its present magnitude by the neglect of obvious precautions.

To make the several portions of any large and growing mass of written matter accessible, one obvious precaution is to resort to some arrangement or classification. But in the case of the Public General Statutes there is no arrangement or classification whatever. The Public General Statutes of each Session, as they are presented by authority to those whom they may concern, are a mass of documents differing essentially from one another in their character and in the continuance and extent of their operation, thrown together fortuitously in the order in which they are assented to by the Crown,—an order purely accidental.

The evil of this neglect of classification will be more glaring if the functions and current business of Parliament, and the marked differences in character of the Acts which are so thrown together, be examined in detail.

In the first place, among the Public General Acts of each Session are to be found Statutes (more numerous than would be supposed by those who have not examined them with a special object) which cannot properly be called "laws," in the sense above indicated.*

It requires no argument to prove that Acts which are now termed Private are not properly to be classed among such laws; for instance, an Estate Act, or a Divorce Act. But there are many Acts now included in the Public General Statutes which, though of public concern because they affect property dedicated to public uses, are as little entitled to be considered "laws" as a Private Estate Act; for instance the Act of 1853, to authorise the sale of the Excise Office in Broad-street, which is as strictly an "Estate Act" as if it had been passed for the convenience and at the instance of private persons.

There are also among the Public General Statutes classes of Acts of a different character, which, though they are of the highest public importance, are as little entitled to be ranked among "laws." They are merely Acts (often transitory Acts) of administration.

Many of our constitutional usages are directed against the possibility of the machine of Government going on without a Parliament. As a consequence of this jealousy, Parliament, in addition to the proper business of legislation, performs many acts which in most countries would be deemed executive only. To take one of the most important of these:—An Appropriation Act is passed at the end of every Session, to direct to what purposes all the Public Revenue of the year not previously appropriated shall be applied. Such Acts are in effect nothing more than warrants to the public functionaries; "the operation of each Act is spent" (as Blackstone expresses it) in the transaction which is authorised. When the Treasury and the Exchequer have issued the money in accordance with the directions of an Appropriation Act, the Statute is as a cheque on a banker that has been paid; it is of no consequence but as a matter of audit or of history.

There are other administrative Acts of Parliament which are not so transitory in their operation; for instance, the Loan Acts, which authorise the creation of perpetual annuities, or the like; but even these have enough of a special and transitory character to make it convenient to separate them in the way of classification from other Statutes. When rules of law applicable to securities of the like nature are established, all that is important in the Act which authorises the loan is the amount of annuities of which the creation is warranted, and the terms on which they may be acquired by those who advance the money to the public. When these terms are complied with the Act ceases to be of importance even as a title deed, for no one buying Three per Cents. can ascertain under which of the multitude of Loan Acts the stock which he takes has been created.

The number of Acts above referred to would in itself justify some classification, of which one object should be to separate from the other Statutes those Acts which are not properly "laws;" every Act, in short, of which the operation is spent on one transaction. It does not necessarily follow that every such Statute should be brought into the same class, for there may be a convenience in classifying Acts of administration as well as Acts of legislation. It is enough for our present purpose to say that they should not be mixed up with general laws.

But in addition to those administrative Acts which are not laws, there are other Statutes connected with the current administration of public affairs which seem to have claims on more than one ground to be placed in classes apart from other laws.

One set of these Acts are those which relate to the armed forces of the Crown. The Mutiny Act and Marine Mutiny Act (which in the last octavo volume of the Statutes fill 122 pages) are, we need not say, annual Acts; not continued by reference, but re-enacted at length (frequently with some alteration). They are laws of much importance to the forces and the departments concerned, and indeed to the public safety, but the people at large have rarely occasion to refer to them.

The Acts relating to the navy, though not annual, form together a great mass, into which any person not belonging to the naval forces or the Admiralty can rarely have occasion

* Blackstone indicates sufficiently the distinction between law, which is "the rule of civil conduct," and other Acts of the supreme power. "Law," he says, "is a *rule*; not a transient sudden order from a superior to or concerning a particular person, but something permanent, uniform, and universal. Therefore a particular Act of the legislature to confiscate the goods of Titius, or to attaint him of high treason, does not enter into the idea of a municipal law, for the operation of this Act is spent upon Titius only, and has no relation to the community in general; it is rather a sentence. But an Act to declare that the crime of which Titius is accused shall be deemed high treason, this has permanency, uniformity, and universality, and therefore is properly a rule."

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sion to look. There are also Acts passed in every Session relating to the militia, and the laws in relation to this force will sooner or later be consolidated, and will necessarily form a bulky statute. It would probably be convenient to place all the Acts relating to the armed forces in one class.

Another class, we think, might be formed with advantage of the Statutes relating to the revenue. The fiscal code is in all other countries a matter apart.

As to one of the most important branches of the revenue, the Customs, the Statutes are revised and consolidated periodically. The same practice will probably be soon extended, as it conveniently might be, to the other branches of the revenue.

The Acts relating to the revenue, and those Financial Acts of administration which have been before described, will be found to make up a considerable portion of the Statutes of every Session. In the outline of a classification of the Acts of the last Session which we are about to submit for consideration, they are placed together under one head.

Another obvious principle of classification is to make manifest, as to the Public General Acts which are properly "laws," the territorial extent of their operation.

Dismissing for the present what are termed Local Acts, a Statute may be found to be applicable—

To the United Kingdom (with or without the Colonies or Foreign Possessions of the Crown);
To Great Britain;
To England and Ireland;
To England only;
To Scotland only;
To Ireland only;
To the Colonies, or some of them; or,
To the territories under the Government of the East India Company.

All these Acts concern different countries, the previously existing laws in which may be different.

It is unnecessary to urge that a Legislature giving laws to different territories should set forth distinctly to what territory each law applies, and so publish it that it may be easily accessible to those whom it concerns, without being a burthen to others. There is no reason why the people of Scotland, for instance, should be burthened with the Acts applicable to Ireland only.

It is not sufficient to say that each Act is sold separately, for it is necessary to examine all the Acts to know which of them applies to each country. The titles often give no indication of the extent of an Act; and the letters U. K., E., I., and S., &c., which are to be found in the Index to the Public General Acts, have no authority, and are not free from doubt and mistakes. Indeed, the absence of classification, as it relieves the promoter of a Bill from the necessity of declaring to what territory his measure is to extend, sometimes leads to enough of uncertainty as to the extent of the operation of the Act to excuse a mistake of the most careful index maker.

We would therefore suggest that all Acts in the nature of general laws should be placed in classes intituled according to the territories to which they extend, excepting always those laws which from other considerations may be thrown more conveniently into special classes.

The same considerations which should prevent the mixing up of the Acts relating exclusively to Ireland with those exclusively relating to England or Scotland apply with greater force in the case of the Acts relating to parts only of any of the three countries, commonly known as Local Acts.

Of those Local Acts which are now ranked among the Public General Statutes there are some which cannot be preferred on the score of extent of operation or importance to others which are found in the Local and Personal series. Some are treated as Public and General because they have been introduced by public departments for considerations connected with the administration of justice or public business; others because they extend to districts so considerable (as, for instance, some Bills concerning the metropolis) that it would be attended with inconvenience or hardship to apply to them the rules which govern the proceedings on Private Bills.

It is proper to note one circumstance which has specially contributed to the insertion among the Public General Statutes of Acts strictly Local or Private, and which has tended to swell and complicate the Statute Book. Parliament, for the sake of sparing to private persons and communities the expense and trouble of soliciting Private Bills, has authorised in some cases administrative departments or commissions to effect arrangements for private or local convenience, which formerly required in each case the sanction of a separate Act. But to guard against abuse, and to afford to individuals some protection in lieu of that which the power of opposing a Private Bill affords, a Parliamentary sanction is required to be given to the orders of the department or Commissioners by a Public General Act. In this way the orders of the Inclosure Commissioners relating to inclosures (great and small, but all merely local or private transactions), and the orders of the General Board of Health for the application of the Public Health Act to towns, and the like, are continually brought to Parliament for confirmation.*

It

* Inclosure Act, 8 & 9 Vict. c. 118, s. 32. Public Health Act, 11 & 12 Vict. c. 63, s. 10. So the arrangements between turnpike trusts and their creditors, under 14 & 15 Vict. c. 38; and applications under the Charitable Trusts Acts.

It is no impeachment of the policy which has led to these Acts to say that there can be no reason whatever for confounding them in the same mass with Public General Statutes.

To prevent the multiplication of classes, it would probably be well to place the Local Acts which have been referred to in the same series with those Special Acts before described, which, so far as respects their limited operation, may be assimilated to Private or Personal Acts. The object of putting Local Acts in a class apart is to prevent them from continuing to encumber those who have no concern with the places to which they relate, and there will be no increased danger, in consequence of such an arrangement, of any such Statute escaping the notice of those who are to be affected by its enactments.

The best test of the effect of classification will be to throw the Acts of a given Session, the last Session, for instance, into separate classes. The Public General Statutes of 18 & 19 Victoria are 134, which occupy 1,005 octavo pages. The following is the number of Acts and of pages found in each of the classes into which, by way of illustration, the mass may be divided:—

18 & 19 VICT.

	Number of Acts.	Number of Pages.
1. Army, Navy, and Militia	11	158
2. Revenue and other Financial Acts	30	177
3. The United Kingdom	12	93
4. Great Britain	2	10
5. England and Ireland	4	20
6. England	22	103
7. Scotland	6	31
8. Ireland	12	17
9. Special and Local	27	307
10. Colonies	6	86
11. East Indies	2	3
	134	1,005

(3. The United Kingdom, 4. Great Britain, 5. England and Ireland, 6. England, 7. Scotland, 8. Ireland: General Laws of, not included in classes 1 and 2, 58 in all)

The classes here given are suggested for illustration only, without presuming that the classification may not be improved, nor that some variation might not be made in the numbers, after a full consideration of the contents of the Statute Book.

The Acts in each class would of course be numbered in a separate series, and each class would, at the end of the Session, form a separate *fasciculus*, or "part."

To a large majority of the readers and buyers of the Statutes (if those of the last Session had been so classified) the parts which contain the Public General Laws relating to

the United Kingdom	(93)
Great Britain	(10)
England and Ireland	(20)
and England (only)	(103)
	226

in all, 226 pages instead of 1,005, would be sufficient.

It is enough to suggest the consideration what the effect of this separation into classes would have been if it had been applied to the Public General Statutes of every Session during the last and the present century.

These proposals for a classification of the Statutes are entirely independent of those contained in the former part of this Report for the appointment of an officer to revise and improve the current legislation; yet, should such an officer be appointed, and any such plan as that now suggested be adopted, it would probably be found convenient to charge him with the duty of superintending the due arrangement of the Acts of every Session.

Cranworth, C.	(L.S.)	*William Page Wood.*	(L.S.)
Lyndhurst.	(L.S.)	*A. E. Cockburn.*	(L.S.)
Brougham.	(L.S.)	*R. Bethell.*	(L.S.)
Wrottesley.	(L.S.)	*William Keogh.*	(L.S.)
Campbell.	(L.S.)	*J. D. Fitzgerald.*	(L.S.)
Wensleydale.	(L.S.)	*James Craufurd.*	(L.S.)
John Jervis.	(L.S.)	*E. F. Maitland.*	(L.S.)
J. Moncreiff.	(L.S.)	*FitzRoy Kelly.*	(L.S.)
S. H. Walpole.	(L.S.)	*Walter Coulson.*	(L.S.)
M. T. Baines.	(L.S.)	*H. Bellenden Ker.*	(L.S.)

5 March 1856.

Appendix, No. 2.

Appendix, No. 2.

MINUTE prepared by Mr. *Coulson* and Mr. *B. Ker*, by the direction of the Lord Chancellor, as to the Classification of the Public General Acts and the Revision of Public Bills, as recommended in the Second Report of the Statute Law Commission.

It is proposed to apply the remedies suggested in the Second Report of the Statute Law Commission to the inconveniences arising from the want of any arrangement of the Public General Acts into classes, and the want of systematic supervision of all Public Bills.

Sufficient reasons for classifying the General Public Acts of each Session are shown in that Report of the Commission. They readily suggest themselves on the consideration of the essential difference between those Acts of Parliament which may be called legislative and those which are merely administrative, and of the obvious duty imposed on a Legislature controlling countries governed by different systems of law of making it clear in every case to what country its Acts extend.

The plan of classification might be established, it is assumed, by Standing Orders of the two Houses, and in their outline such Orders present no difficulty; but the means of enforcing attention to these Orders in the case of each Bill, and of giving full effect to the principle of classification, will be best considered as part of the system of supervision of Public Bills.

A system for the supervision of Private Bills having reference to detailed Standing Orders already exists; Committees and officers of both Houses are specially appointed for the purpose; but no such provision is made for the supervision of Public Bills. This is, in short, the defect which the Second Report of the Statute Law Commission proposes to supply by the appointment of a board or officer.

In the case of Private Bills, no doubt special reference is had to the protection of private rights; but the object of supervision and its limits are to some extent similar as to both kinds of Bills. In Public as in Private Bills the object is, not to control the power of the two Houses, nor to take the business of originating, devising, preparing, or proposing Bills out of the present channels, but to secure attention to those general rules applicable to all legislation, which, in the absence of systematic revision, are so often neglected by the proposers of Bills, and by the House at large;—by the proposers because they are mainly occupied with a particular case or remedy; by the House at large (if no other causes exist) from the impossibility, on the part of the members of weight and experience, of giving systematic attention to technical details where their attention is absorbed in the consideration of principles and of policy.

The proposer of a Bill (as is observed in the Report) is frequently not aware of, or indifferent to, the extent to which his proposed measure will affect other branches of the law, or is not aware of the exact state of the law with which he proposes to deal, or omits to state distinctly to what extent the measure is intended to repeal or supersede the existing law, or desires to apply a remedy to the particular case where the inconvenience has been perceived, instead of amending generally the error or defect which has produced the result complained of. The remarks applicable to Bills are applied, with little variation and with greater force, to the amendments which are proposed sometimes by opposers of the Bill in its progress. In short, the object of what may be called the parties to litigation in Parliament is, to carry a particular point, without regard to collateral consequences.

The remedy to be applied in this, as in the like cases, is by the division of labour. The Commission accordingly recommend the appointment of a Board, or, as they would prefer, an officer with assistants.

The duties of the officer are indicated in a general manner in the Report of the Commission. But several questions of detail remain to be considered, on the solution of which the efficiency of any system of supervision must depend.

In the first place, co-operation, and, as near as may be, uniformity of action, on the part of the two Houses, must be secured.

It is observed by the Commission, that it would be convenient that the officer should be the same for both Houses. There would, however, be obvious objections to the appointment of such an officer by the Crown, or to a joint appointment by the two Houses, which would deprive each House of the separate control which it ought to possess over its officers.

The solution of the difficulty is found in the course adopted in the case of Private Bills, where the same persons act under separate appointments on behalf of the two Houses as Examiners of Standing Orders. In accordance with this precedent (assuming an appointment to be authorised by each House), the Lord Chancellor for the Lords, and the Speaker of the House of Commons, might appoint, if they thought fit, the same person to fill the two offices; but for the performance, in fact, of the same functions, in relation to Public Bills for the two Houses.

Another question arises as to the manner in which the officer appointed shall communicate with each House. On this question also, the practice in the case of Private Bills may to some extent be followed. Where the rule which the officer is to enforce is a definite one, and established by Standing Orders, as in the matter of the classification, the officer might be

be empowered directly to certify to the House that the Order has been complied with, that the Bill has been placed in its proper class, and contains only such provisions as would fitly be included in an act of that class. But as to many of the questions arising on the revision of Bills (nearly all those indicated in the first page of the Second Report of the Commissioners) no rule could be established so definite in its terms or uniform in its application as to be enforced on the certificate of an officer. All that can be done in such cases is, that the House should be informed of the supposed deviations from the standard of legislative propriety. How can this information be communicated to each House with the greatest chance of having its due weight?

The best expedient that suggests itself is, that the officer should, as in the case of Private Bills, act in each House as the assistant of a Committee.

A Standing Committee (on Public Bills) might be appointed at the commencement of each Session, for the purpose of the revision of the Public Bills (or such of them as might be referred for that purpose), and generally for securing those objects in the way of the improvement of current legislation which are indicated in the Report of the Commission. Such a Committee in each House, composed, it may be presumed, of some of the members most eminent for legal knowledge and parliamentary experience, while assisted by the officer, would have the ability to confirm or correct his opinions in doubtful cases, and would speak to the House with great authority.

It may be said, that whatever is to be done effectually to ensure general simplicity and uniformity of the Statute Book must be done before the Bill is introduced into Parliament, as any alterations afterwards made or suggested must be the subject of formal motions, arguments, and perhaps divisions. This is to some extent true; but to require, as a general rule, the previous revision by any functionary of a Public Bill, as a condition of its being allowed to be introduced into Parliament, would give the officer an authority inconsistent with the usages and the freedom of Parliament. It is to be considered also that the same advantages might be obtained without encountering the objections to which such a rule would be subject. If the practice were established of referring Public Bills, or certain classes of Public Bills, to the Standing Committee, of whom the officer would be the recognised assistant, a sense of convenience would soon lead members, and the persons engaged in the preparation of Bills, to resort to this officer to obtain his preliminary approval or suggestions.

It is therefore suggested that a motion should be made simultaneously in the Lords and Commons,—

"That the House resolve itself into a Committee to consider the means of providing for the classification of Public General Acts to be passed in future Sessions of Parliament, and for securing the uniformity and simplicity, or otherwise improving the form of such Acts."

If such a resolution were agreed to, Standing Orders for the following purposes might be proposed in Committee:—

1. For the appointment at the commencement of each Session of a Committee, to be designated the Committee on [the form of] Public Bills, to consist of [eleven] members, of whom [five] to be a quorum.

2. For the appointment by the Lord Chancellor in the Lords, and by the Speaker in the Commons, of an officer of the House, with an assistant or assistants. The officer to be called the Counsel for the Revision of Public Bills.

3. For grouping all Bills in classes according to the recommendation of the Statute Law Commissioners, with a view to the division of the Acts into the like classes.

4. For defining the duties of the Committee, which might be:—To consider and report from time to time such rules as may appear to them expedient for the following purposes; viz.:—for securing the uniformity and simplicity in the Statute Law, and the due arrangement of its matter; for preventing any conflict or uncertainty in Statutes, and for their publication and promulgation with reference to the convenience of the parts of the empire affected by their enactments.

To revise such Bills as may be referred to them from time to time with a view to the purposes before mentioned.

5. For defining the duties of the Officer, which might be:—

To certify to the Speaker as to each Bill that it had been placed in the Class to which according to the Standing Orders it should belong;

To assist the Committee on Public Bills, by perusing and advising on such Bills as might be referred to it, with reference to the objects and duties of the Committee;

To peruse, in all cases where it might be practicable, Bills which had passed through all the stages except the final stage in each House, with reference to the amendments made in their progress, and where necessary, to call the attention of the Committee to any conflict, uncertainty, or violation of rules occasioned by such amendments; and,

Generally, to assist and advise with reference to the purposes for which the Committee is appointed, as the Committee may direct.

I N D E X.

[*N.B.*—In this Index the *Figures* following the Names of the Witnesses are the Numbers of the Questions; and those following *App. p.* the Paging of the Appendix.]

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1. *Suggested Appointment of a Standing Committee for facilitating Revision.*
2. *Composition and Mode of Appointment.*
3. *Functions and Mode of Action.*
4. *Objection to the Appointment of a Committee.*

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Conflicting decisions have probably been more frequent on the part of the supreme court in France than on the part of the House of Lords or Court of Error in this country, but there is a greater range of principle established and overthrown in the latter case; examination hereon, 805-832——In France the conflicting decisions are principally different interpretations of articles of the code, 810-832——The admitted principles in the French code are a check upon a wide range of interpretation, 829-833.

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Coulson, Walter, Q.C. (Analysis of his Evidence.)—Is employed, under an Order in Council, dated 1st March 1848, in preparing Parliamentary Bills originating with any department of Government, and in revising and reporting on any Bills referred to him by the Home Secretary, 1–3——Prepares nearly all the Bills which originate in the Home, Colonial, and Foreign Departments, 4, 5. 10–12——The Common Form Bills of the Treasury are generally prepared by the financial clerk of the Treasury, 4, 5——Government Bills which are not prepared by witness, are frequently, but not necessarily, laid before him for revision or report, 6–9.

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Counsel for the Revision of Public Bills:

1. *Suggested Appointment of a Revising Officer.*
2. *Mode of Appointment.*
3. *Qualifications.*
4. *Fitness of Mr. Coulson for the Office.*
5. *Question whether Mr. Richards, aided by Mr. Ker, might not undertake the Duties.*
6. *Limit to the Authority of the Revising Officer.*
7. *Stage of the Bill at which Revision should take place.*
8. *Generally as to the Duties and Mode of Action of the Reviser.*

1. *Suggested Appointment of a Revising Officer.*

Evidence in favour of the appointment of a revising officer (to be termed the "Counsel for the Revision of Public Bills"), *Coulson* 42 *et seq.*——It is desirable to have but one officer for both Houses, *Coulson* 551; *Rickards* 202, 203; *May* 497.

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1. *Suggested Appointment of a Revising Officer*—continued.

An officer, with adequate assistants, would be preferable to a Board, *Rickards* 199, 200. 219; *Ker* 256. 335-337——His designation might be the "Counsel for Revising Public Bills," *Rickards* 201.

Approval of the appointment of one officer, with competent assistants, rather than of a Board for the revision of Public Bills, *May* 472, 473. 497——Reasons for preferring an officer to a Board, *ib.* 496.

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The Statute Law Commission recommend the appointment of a Board, or, as they would prefer, an officer with assistants, *App. p.* 122——Views of Mr. Coulson and Mr. B. Ker in favour of the appointment of a revising officer, *ib.* 122, 123.

2. *Mode of Appointment:*

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3. *Qualifications:*

Importance of the officer being a person of the highest qualifications which can be secured, *Coulson* 142. 148.——The officer should be a person of very eminent qualifications, *Rickards* 212.

Sense in which witness considers that the labour of revision would be of a clerical nature; examination hereon, to the effect that general intelligence rather than legal acquirements is the better qualification in the reviser, *Coode* 676-686. 701, 702——Further evidence relative to the functions of the reviser, to the effect that high legal attainments are not essential for the office, *ib.* 708-712.

4. *Fitness of Mr. Coulson for the Office:*

With regard to the qualifications most essential to the revising officer, witness names Mr. Coulson as being peculiarly well fitted for the appointment, *Ker* 268, 269. 302. 324-326. 419-422.

5. *Question whether Mr. Rickards, aided by Mr. Ker, might not undertake the Duties:*

Consideration whether the revision of public Bills may not be effectually and economically carried out by the employment of the services of the counsel to the Speaker, aided by those of the counsel to the House of Lords, *May* 474-492. 535-539. 569——As regards the duties of Mr. Rickards, which are confined to Private Bills, the pressure upon him is mainly confined to the first four months of the Session, *ib.* 474-480. 483-486——Nature of Mr. Rickards' duties, *ib.* 481.

Explanation as to the amount of witness's engagements in regard to the revision of Private Bills; his time is thus taken up more especially in the first four or five months of the Session, *Rickards* 854-857——Without the aid of an assistant he could not undertake a revision of Public as well as of Private Bills, *ib.* 855-861——Willingness of witness to act as assistant in any scheme for the revision of Public Bills, or to undertake the task provided he be allowed an assistant, *ib.* 855, 864-867. 871——Considerable amount of additional labour devolving on witness, as examiner of recognizances, upon the assembling of a new Parliament, *ib.* 868-874——It should be pre-arranged whether Public Bills or Private Bills are to have a priority of claim on the revising officer's attention, *ib.* 876.

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The revising officer would not have a voice in actually striking out objectionable clauses of the Bill, but would rather point out to the Standing Committee the operation of such clauses, *Rickards* 239——The officer is not in any way to dictate to the House in regard even to the forms of Bills; usefulness hereon of the medium of the Standing Committee, *Ker* 279, 280——He should not report on the policy of the Bill, *ib.* 313——He should not have any legislative power whatever, *ib.* 365.

The officer should carry out revision without exercising control, *May* 498-507——The reviser can only concern himself with what is patent on the face of the Bill, without inquiry into intention, *Coode* 644, 645. 648-650. 676. 682-694——The officer should not give decisions on judicial interpretations, and should merely call the attention of the House to any portion of the Bill as possibly requiring a decision at its hands, *ib.* 683-691——The reviser should not act with any authority, but the information or suggestions supplied by him would have much weight with the House, *ib.* 765. 769-783.

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7. *Stage of the Bill at which Revision should take place:*

Evidence as to the stages of the Bill in which it is most desirable that the official supervision should take place, *Coulson* 84-90. 105-112. 150-157——The supervising officer should read every Bill immediately that it is brought in, and should exercise a formal revision after it has passed through Committee, *ib.* 84-90, 150-152. 155-157—— Objection to the supervision not taking place till after the second reading of each Bill, *ib.* 150.

Recommendation that the reviser should take up the Bill as soon as it had passed the second reading, *Rickards* 209. 226. 878—— In many cases revision would be effected by communication between the revising officer and the Member in charge of the Bill, without reference to the Committee, *ib.* 232—— The proper stage for revision can best be settled between the Committee and the officer, *Ker* 258—— A revision after the second reading, and after the Bill passing through Committee, is very desirable, *ib.* 367-369.

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8. *Generally as to the Duties and Mode of Action of the Reviser:*

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The officer should communicate with the draftsman and with the Member having charge of the Bill, and with Members proposing amendments, and should carry out revision without exercising control, *May* 498-507——In exceptional cases only should the public officer, or rather the Standing Committee, communicate with the House, *ib.* 501-504. 508. 514. 544——The examiner should report any defect to the Member in charge of the Bill, *Rickards* 878.

Witness submits a summary of his plan of revision for securing an improvement in the "manner" and "language" of current legislation, by means of the action of a revising clerk, *Coode* 572——A main duty should be to assertain and report what public statute is modified or repealed by each clause, and whether the necessary references or repeals are definitely made, *ib.* 572. 574-579. 612-616. 619——The officer should query dubious provisions, without pretending to give information thereon, and would thereby exercise a very beneficial effect upon Governmennt Bills, *ib.* 639-642——The duty of the reviser should be confined solely to reporting upon conflicting parts of the Bill, so far as they are indicated in the "language" and "expression" of the Bill, *ib.* 644, 645. 648-650 ——Further statement that the interference of the officer should be confined to incongruity in "language" or "manner," *Coode* 676. 682-694.

The reviser should communicate with the House by means of a written report appended to the Bill, *Coode* 704, 705. 785——If the officer had not time to examine every Bill, it would be sufficient for him to notify the same to the House in each case, *ib.* 718 ——The practical utility of any Bill on the one hand, and the report of the revising officer on the other hand, would be duly weighed by the House, who might occasionally put aside the suggestions of the officer, and pass the measure in a defective shape, *ib.* 753-764——Expediency of the reviser confining his action to the subject-matter of the Bill, and to previous obsolete matter on the same subject, *ib.* 778-783.

The Statute Law Commissioners, in recommending in the first instance that the duty of the officer should be to advise on the "legal effect" of every Bill, embrace therein several of the duties subsequently laid down in other recommendations, *Coode* 843-851.

Suggestions in the Second Report of the Statute Law Commissioners in regard to the duties to devolve on the revising officer, *App. p.* 117, 118.

Suggestions by Mr. Coulson and Mr. B. Ker with reference to the duties of the officer, *App. p.* 123——Remarks as to the manner in which the officer shall communicate with the House; suggestion that he act as the assistant of a Standing Committee, *ib.*

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Customs and Revenue Bills. Complete frustration of Acts intended to impose taxes, by reason of the looseness of expression, &c, *Coode* 571——Operation and usefulness of official revision in the case of Customs or Revenue Bills, *ib.* 631–641.

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Draftsmen. Supervision in the House will not dispense with the necessity of having Bills well drawn originally, which is most important, *Coulson* 62–64——In the case of Government Bills, it might conduce to their better drawn if the name of the draftsman were put on each Bill, *ib.* 69–73——One of the most effective plans for improving the style and phraseology of Public Acts would be to have a corps of regular selected draftsmen to draw all Bills, *Richards* 190——This plan, however, is very objectionable on the score of expense, and for various other reasons, *ib.* 190–192.

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Useful communication would naturally arise between draftsmen and the revising officer, *May* 440, 441——The officer should place himself in communication with the draftsman, *ib.* 498. 533.

Every Bill should be submitted with the name of a Member or other person responsible for the draft, *Coode* 572——Material assistance to be received by the revising officer from the draftsman, *ib.* 621–623. 634——It should be imperative on the draftsman to give information to the officer, else the latter should warn the House against the Bill, *ib.* 634, 635. 712——Advantage in the fact of the draftsman knowing that he will be subject to revision, *ib.* 712——Usefulness of communication between the reviser and the draftsman in the event of the Bill not attempting to repeal dead matter, *ib.* 775.

The reviser should examine the Bill in conjunction with the draftsman, as soon as it had passed the second reading, *Richards* 878.

See also *Accessibility of Revising Officer. Breviate. Counsel for the Revision of Public Bills. Instructions to Draftsmen. Model Bills. Order of Enactments. Phraseology. Preparation of Public Bills.*

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Ecclesiastical Acts. Beneficial effect anticipated from a system of revision in regard to the various Acts upon ecclesiastical matters, *Coode* 620, 621.

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Expurgation of the Statutes. Evidence upon the question of what is termed, incorrectly, an "expurgation" of the statutes; inexpediency of a general clearing of the Statute Book, *Ker* 371–375——Under the direction of witness, as member of the Statute Law Board, a so-termed expurgatory list of statutes was prepared by Mr. Anstey and Mr. Rogers; it was done very hastily, but skilfully, *ib.* 389——Subsequent expurgatory lists prepared by Mr. Wood and Mr. Coode, *ib.* 389, 390.

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France. Reference to the French code as containing much that might be successfully imitated in this country, *Coode* 697, 698——Examination relative to the Code Napoleon, with reference more especially to the decisions of the French courts upon it, and to the further development of the law, *ib.* 791–810——Doubt as to there being much judge-made law in France, *ib.* 793. 807, 808. 834——Foundation of the French law upon the Roman law, *ib.* 795. 800.

Conflicting decisions have probably been more frequent on the part of the Supreme Court in France than on the part of the House of Lords or Court of Error in this country, but there is a greater range of principle established and overthrown in the latter case; examination hereon, *Coode* 805–832——In France the conflicting decisions are principally different interpretations of articles of the code, *ib.* 810–832——The admitted principles of the French code are a check upon a wide range of interpretations, *ib.* 829–833——In France and other countries there is a very careful system of revision of passing laws, *ib.* 839, 840.

G.

Government Bills. Witnes is employed, under an Order in Council, dated 1st March 1848, in preparing Parliamentary Bills originating with any department of Government, and in revising and reporting on any Bills referred to him by the Home Secretary, *Coulson* 1–3——Prepares nearly all the Bills which originate in the Home, Colonial, and Foreign Departments, *ib.* 4, 5. 10–12——Government Bills which are not prepared by witness are frequently, but not necessarily, laid before him for revision or report, *ib.* 6–9——General nature of the reports made by witness upon the Bills referred to him by the Home Secretary, *ib.* 10. 18, 19——Witness has also had the preparation of several Bills brought in by the law officers of the Crown for the amendment of the law, *ib.* 11——Particulars as to the instructions upon which witness acts in preparing Bills for the Home Department; circumstance of his frequently acting upon oral data, *ib.* 20–33.

To a certain extent the proposed system of revision would be useful in the case of Bills introduced by departments having competent legal advisers, *Coulson* 124–129. 132——Respect in which the official revision would improve Bills emanating from Government departments, and drawn by competent hands, *Ker* 348–356. 385.

The system of preparing Government Bills, in the different departments, has many advantages, and is far preferable to preparation by a general Board, *May* 433. 434——Conclusion that the official revision would chiefly be required for the Bills of independent Members, and that it would impose but little labour with reference to Government Bills, *ib.* 518–523. 532–534. 558——Usefulness, nevertheless, of a systematic revision of Government Bills, notwithstanding they may be drawn very carefully and with great legal efficiency, *ib.* 533, 534. 557–563.

Expediency of the same revision in the case of Government Bills as of other Public Bills, *Coode* 606. 613. 641, 642——Less inconvenience from the ill-framing of Government Bills than of other Public Bills, *ib.* 613——More superfluous and obsolete matter in Government Bills than in those of private Members, *ib.* 613. 617, 618.

See also *Amendments* (*Public Bills*). *Committee on Public Bills.* *Counsel for the Revision of Public Bills.* *Draftsmen.* *Mutiny Bill.* *Order of Enactments.* *Preparation of Public Bills.* *Public Bills.* *Revision* (*Public Bills*). *Treasury Bills.* *Uniformity.*

I.

Index to the Statutes. Illustration of the mischief which may arise from the want of an Index to the Statutes, *Ker* 262. 265. 285, 286——This want is being supplied by the Statute Law Commission, *ib.* 266, 267. 370. 372.

Instructions to Draftsmen. In lieu of any compulsory measure, witness recommends that the Statute Law Commissioners should issue a paper of instructions to draftsmen, as a means of securing uniformity of phraseology, &c.; suggestions relative to these instructions, and the mode of disseminating the same, *Rickards* 193–196.

Concurrence in Mr. Rickards' suggestion for the circulation of instructions among the draftsmen engaged in the preparation of Bills, *May* 436——These instructions should be drawn up by the Statute Law Commissioners, *ib.* 436–438.

The revising clerk proposed by witness would frame "suggestions" for draftsmen; explanation hereon, *Coode* 843——In perusing each Bill, or amendment, the revising clerk would see to the compliance or non-compliance with the subsisting "suggestions," or orders to draftsmen; explanation hereon, *ib.*

Reference to the instructions laid down by the Statute Law Commissioners for draftsmen, as being exceedingly defective, *Coode* 843. 845——*See* also *Interpretation Act.*

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Interpretation Act. The instructions to draftsmen should include an Interpretation Act, or Statute of Constructions, *May* 441.

The practice of an interpretation clause is a modern invention, *Coode* 582——Inexpediency of preparing a general statute which, on the principle of an interpretation clause, should endeavour to give a definite legal vocabulary, *ib.* 583-590——Further reference to, and disapproval of, the practice of introducing interpretation clauses in separate Acts, *ib.* 655-658.

Intestates' Estates Bill. Reference to a Bill brought in by Mr. Locke King, for the better administration of intestates' estates, and to the failure of the Bill to pass through the House of Lords; illustration thereby of the disadvantage of the reviser not being subservient to the whole House, *Coode* 735.

Further reference to Mr. King's Bill, as illustrating the inexpediency of the reviser not being in the communication with the Member bringing in the Bill, as well as subservient to the House, *Coode* 736-741——Erroneous view taken of the intention of Mr. King's Bill by the reviser, *ib.* 737-740——Undue objections made to the Bill on the score of some misprints, *ib.* 740.

Ireland. Several Bills concerning Ireland have been prepared or revised by witness, *Coulson* 11.

J.

Judge-made Law. In England, judge-made law constantly arises from some uncertainty in legislation or common law, *Coode* 834-836——The fact of judges giving their own interpretation to the law, proves the necessity of a more careful revision of current legislation, *ib.* 837, 838.—*See* also *France.*

K.

Ker, Henry Bellenden. (Analysis of his Evidence.)—Has had some experience in the preparation of Bills for Parliament, 240——Has been a member of the Statute Law Commission since its institution in 1854; 241. 245-250——In conjunction with Mr. Coulson, prepared the Paper which is before the Committee with reference to an official supervision of Public Bills, 242-244. 255——Receives a salary of 1,000 *l.* a year, the other members being unpaid, 248. 252——As member of the Statute Law Commission has assisted in the preparation of several Bills with a view to the consolidation of the statute law, 252-254.

Suggested appointment of an officer, with a staff, as the best means of securing an effectual revision of Public Bills, 256——Greater efficiency of an officer than of a Board, 256. 335-337——Importance of the establishment of a Standing Committee as a means of enabling the officer to communicate with the House, and as giving that weight to his proceedings which in all probability would otherwise be wanting, 257. 294. 310. 333-345. 360, 361. 365. 376-379——Advantage derived as regards Private Bills from Lord Redesdale's Committee and Mr. Fitzroy's Committee, 257. 305-311. 377-379.

The proper stage for revision can best be settled between the Committee and the officer, 258——As an illustration of the manner in which the revision might work, witness refers to the Limited Liability Bill of last year with reference to which he made certain suggestions to the Lord Chancellor before its introduction, 258. 289-292——In addition to his duties as member of the Statute Law Commission, witness occasionally assists the Lord Chancellor in considering Bills, but does not receive any additional pay for so doing, 259-261. 264. 289. 410, 411.

Great difficulty in the preparation of Bills, to see that they do not conflict with the existing law, 262-264——Illustration of the mischief which may arise from the want of an index to the statutes, 264, 265. 285, 286——This want is being supplied by the Statute Law Commission, 266, 267. 370. 372——With regard to the qualifications most essential in the revising officer, witness names Mr. Coulson as being peculiarly well qualified for the appointment, 268, 269. 302. 324-326. 419-422——General outline of the duties which should devolve on the revising officer, 270-273. 300, 301. 313, 314. 339.

Benefits anticipated from a consolidation of the statute law and from an uniformity of phraseology and style, 274-276——Circumstance of its being decided upon to alter the Limited Liability Bill of last Session, 274. 293. 296-299——Suggestions relative to the number and qualifications of the staff to be attached to the revising officer, 277, 278. 282-288. 423——The officer is not in any way to dictate to the House in regard even to the forms of Bills; usefulness hereon of the medium of the Standing Committee, 279, 280.

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Ker, Henry Bellenden. (Analysis of his Evidence)—*continued.*

In the event of the Committee disagreeing with the officer, they might determine not to report his opinion to the House, 280. 294, 295 ——It should be open to the officer, under the sanction of the Committee, to obtain counsel's opinion upon any special difficult branch of law, 302-304. 312——If necessary, the Chairman of the Committee should be paid rather than an efficient one not obtained, 305, 306. 310. 378, 379—— The officer should not report on the policy of the Bill, 313——Advantage anticipated from communication between the officer and the framer or introducer of the Bill, in order that the former may see that the intention of the Act is carried out, 313-323. 339. 348-364.

Though mistakes cannot altogether be prevented by the proposed revision, legislation may be made more uniform and less conflicting and inconsistent, 327-334. 348 *et seq.* 385——The revision would be particularly useful in the case of Bills altered in their passage through Committee, 329-333. 369——Witness does not contemplate that the Committee should do much actual work, 338-340——Advantage of the action of a Committee in the revision of the laws of New York, 340-343.

Doubt as to any injurious diminution of the responsibility of introducers of Bills in consequence of the supervision of the Standing Committee and revising officer, 344-346. 353-359——Respect in which the official revision would improve Bills emanating from Government departments, and drawn by competent hands, 348-356. 385——The revision would be more especially useful in the case of Bills brought in by private Members of the House, 356-364——The revising officer should not have any legislative power whatever, 365.

Private Members would soon get into the way of showing their Bills to the revising officer, but should not be compelled to do so, 366, 367. 380-382——A revision after the Second Reading and after the Bill passing through Committee is very desirable, 367-369——Evidence upon the question of what is termed, incorrectly, an "expurgation" of the statutes; inexpediency of a general clearing of the statute book, 371-375—— Doubt whether draftsmen would draw Bills any better in consequence of the knowledge of an official revision, 383, 384.

Reference to the instructions of the Lord Chancellor under which the Statute Law Board was first experimentally appointed in 1853; 386-388——Under the direction of witness, as member of the Board, a so termed expurgatory list of statutes was prepared by Mr. Anstey and Mr. Rogers; it was done very hastily, but skilfully, 389——Subsequent expurgatory lists prepared by Mr. Wood and Mr. Coode, 389, 390——The next step of the experimental Board was to carry out a consolidation by way of groups of statutes; particulars hereon, 391-409——Explanation more particularly in regard to a code or digest, prepared by Mr. Brickdale, of the statute and common law, so far as relates to the law of distress, 392-409.

Further statement as to the duties performed by witness and the other members of the Experimental Statute Law Board, 409, 410——Authority from the Lord Chancellor, under which witness assists him in considering Bills, 410, 411——There is ample work for the Commission to do, 412—— During the interval between the Experimental Board and the Commission the pay of the members ceased, 413, 414——A great many Bills have been prepared by the commission, but only the Criminal Law Bills have been brought in, 415-417. 424-426——It is still under consideration whether the Bills prepared by the commission shall be submitted to Parliament singly, or in classes, or altogether, 425, 426.

Ker, Mr. Minute prepared by Mr. Coulson and Mr. B. Ker, by the direction of the Lord Chancellor, as to the classification of the Public General Acts, and the revision of Public Bills, as recommended in the Second Report of the Statute Law Commission, *App p.* 122, 123.——*See* also *Counsel for the Revision of Public Bills*, 5.

L.

Labour of Revision. See *Revision* (*Public Bills*).

Limited Liability Bill. As an illustration of the manner in which the revision might work, witness refers to the Limited Liability Bill of last year, with reference to which he made certain suggestions to the Lord Chancellor before its introduction, *Ker* 258. 289-292—— Circumstance of its being decided upon to alter the Limited Liability Bill of last Session, *ib.* 274. 293. 296-299——An official revision would have been very useful in this case, *ib.* 333.

Lord Chancellor. The minute prepared by Mr. Ker and witness (*App. p.* 122, 123) with reference to the Second Report of the Statute Law Commission was understood to be prepared for the Lord Chancellor, *Coulson* 38-40.

Authority from the Lord Chancellor under which witness assists him in considering Bills, *Ker* 410, 411.

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M.

"*Matter*" *of Legislation.* Witness does not profess to make any suggestion with regard to the actual "matter" of legislation, which should rest entirely with Parliament, *Coode* 573. 577. 662——As regards Private Bills, the present revision very properly refers to the "matter" rather than to the "language" or "manner," *ib.* 613.

See also *Counsel for the Revision of Public Bills*, 6. 8.

May, Thomas Erskine (*Clerk-Assistant of the House*). (Analysis of his Evidence.)—Has read the Second Report of the Statute Law Commission, as well as the Paper thereon by Mr. Coulson and Mr. Ker, 427, 428——Refers to a suggestion, thrown out, but not advocated, in the First Report of the Commission, for the preparation of Public Bills by an officer or Board; adduces sundry objections thereto, 429–433——Objects also to a preliminary revision, by either an officer or a Board, of all Bills prior to their introduction into Parliament, 432.

The system of preparing Government Bills in the different departments has many advantages, and is far preferable to preparation by a general Board, 433, 434——The present system however is attended with some very serious defects, which urgently require correction, 434, 435——The chief defects are a want of uniformity in style and language, and the frequent adoption of conflicting provisions upon analogous subjects, 435.

Concurrence in Mr. Rickards' suggestion for the circulation of instructions among the draftsmen engaged in the preparation of Bills, 436——These instructions should be drawn up by the Statute Law Commissioners, 436–438——Model Bills should also be prepared by the Commissioners from the Consolidated Statutes, and circulated among draftsmen, 439——Belief that the consolidation of the statutes is the groundwork of all improvements in future legislation, *ib.*——Useful communication would naturally arise between draftsmen and the revising officer, suggested in the Second Report of the Commission, 440, 441——The instructions to draftsmen should also include an Interpretation Act, or Statute of Constructions, 441.

Suggestion that a breviate, bearing the name of the draftsman, should accompany every Public Bill; sundry advantages anticipated therefrom, 442–449. 455–470. 487——Matter proper to be comprised in the breviate, 442. 470——Uselessness of the form of breviate which formerly accompanied both Private and Public Bills, 443–445. 494, 495——Success of the experiment, some yeare ago, of drawing Private Bills in conformity with Model Bills, 450–454——Objection to the breviate being printed and circulated with the Bill, 465–467——Probable length of the breviate, 467–470.

Approval of the appointment of one officer, with competent assistants, rather than of a Board, for the revision of Public Bills, 472, 473. 497——As regards the duties of Mr. Rickards, which are confined to Private Bills, the pressure upon him is mainly confined to the first four months of the Session, 474–480. 483–486——Nature of Mr. Rickards' duties, 481——Considerable improvement in Private Acts, in consequence of the improved revision to which subjected, 482.

Propriety of any change in regard to Public Bills being founded upon the experience of the House with respect to Private Bills, 487——A revising officer would require more assistance in the case of the former Bills than of the latter, *ib.*——Advantage of a breviate of Public Bills, though it was found useless with regard to Private Bills, 487. 493–495——Consideration whether the revision of Public Bills may not be effectually and economically carried out by the employment of the services of the counsel to the Speaker, aided by those of the counsel to the House of Lords, 488-492. 535–539. 569. ——The revising officer would require counsel for assistants, 493. 569.

Reasons for preferring an officer to a Board, 496——The officer should be the same for both Houses, 497——Outline of the duties and mode of action of the officer, 498 *et seq.*——The promotion of uniformity of language is a main duty, 498. 560——The prevention of conflicting enactments is also most important, 498. 560——The officer should place himself in communication with the draftsman, 498. 533——He should also communicate with the member having charge of the Bill, and with members proposing amendments, and should carry out revision without exercising control, 498–507.

The revision should commence as soon as possible after the introduction of the Bill, that is, after the first reading, when the Bill is printed, 498. 524–531——In the event of revision being rejected by the member having charge of the Bill the proposed Standing Committee should interpose, 501. 509. 514——In exceptional cases only should the public officer, or rather Standing Committee, communicate with the House, 501–504. 508. 514. 544——Approval of the appointment of a Committee as a means of facilitating revision, 510–512——The Committee should not exceed five in number, except that it should comprise, as *ex officio* members, those members whose names are printed on the Bill under revision, 513.

Suggestions in regard to the functions of the Committee, 514——They should interfere as little as possible with the progress of Bills through Parliament, *ib.*—— Their operation should be voluntary and suggestive, and should relate to the language

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May, Thomas Erskine. (Analysis of his Evidence)—*continued.*

and structure of the Bill, without reference to its policy, 514-516. 550——Every Bill should by Standing Order be referred to the Committee, 514——The Committee should be in constant communication with the revising officer, and should exercise a superior discretion, *ib.*——Way in which the Committee might communicate with the House, 514. 544-547.

Classification of the statutes of 1855 adverted to; inference that the revision of Government Bills would be comparatively light, 518——Number of Bills of private Members, and number of Government Bills brought in, in each of the years 1854-56; much larger proportion of failures in the case of the former, 519-523. 527, 528——Further conclusion that the official revision would chiefly be required for the Bills of Independent Members and that it would impose but little labour with reference to Government Bills, 519-523. 532-534. 558.——Usefulness, nevertheless, of a systematic revision of the latter Bills, notwithstanding that they may be drawn very carefully, and with great legal efficiency, 533, 534. 557-563.

The main responsibility in regard to amendments should still rest with the political heads of departments, or with independent Members, 533. 540. 548, 549——The Standing Committee might be appointed by the Speaker or the Committee of Selection, 551, 552——The duties of the Chairman of the Committee would not be so laborious as materially to interfere with his duties as a private Member, 553-556.

As regards an improved classification of the statutes, it would be very important generally, and would have a beneficial effect upon current legislation, 564-566——The duty of classification could, with great convenience, be undertaken by the revising officer, 566-568——The process of classification should take place at an early stage of the Bill, 568.

Ministerial Responsibility. The preparation of Public Bills by an officer or Board would interfere materially with Ministerial responsibility, *May* 432.

Model Bills. Model Bills should be prepared by the Statute Law Commissioners from the consolidated statutes, and circulated among draftsmen, *May* 739——Success of the experiment, some years ago, of drawing Private Bills in conformity with Model Bills, *ib.* 450-454.

Mutiny Bill. Reference to the Mutiny Bill, as illustrating the obsolete matter frequently contained in Government Bills, *Coode* 613.

N.

New York. System of classification adopted with reference to the statute laws of New York, and benefits resulting therefrom, *Coulson* 166-168. 173, 174——Advantage of the action of a Committee in the revision of the laws of New York, *Ker* 340-343—— In the revision of the New York Code conflicting statutes were re-enacted and properly fused, *Coode* 841, 842.

O.

Obsolete Legislation. Belief as to the willingness of Members generally to take steps for the repeal of dead matter in accordance with information brought before them by the reviser, *Coode* 764-783.

Order of Enactments. The want of logical arrangement of the subjects of enactment embraced in Bills is an evil which, to some extent at least, may be remedied by official supervision, *Coulson* 121-123. 132——The revising clerk should ascertain and report that the order of the enactment in each Bill is satisfactory, *Coode* 572——Any departure from what may be recognised as a good order should be notified to the House by the reviser, *ib.* 665, 666.

Considerable importance of a lucid order of the enactments following the developement of the subject-matter, *Coode* 665. 694—Practicability of defining and carrying out a natural order for a Bill; suggestions thereon, *ib.* 665-675——Remarks on an order sketched out by witness, and appended to Mr. Ker's First Report upon the Consolidation of the Statutes, *ib.* 665. 667-670.

P.

Parentheses. Disapproval of the introduction of parentheses into Acts of Parliament, *Coode* 651-653.

Phraseology. Any general rules as to phraseology and arrangement might be enforced through means of the proposed supervision, *Coulson* 43 *et seq.* 116-120; *Ker* 327-334. 348 *et seq.*——The different phraseology adopted in Acts of Parliament is a considerable evil, and one that might be remedied by the suggested supervision, *Coulson* 116-120. 132——

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132——Anticipated improved phraseology in the drawing of Bills, as one result of the appointment of the proposed officer, *Coulson* 153, 154——Way in which, under a system of classification, the phraseology of Bills, with reference to different parts of the kingdom, would be greatly improved, *ib.* 159——Uniformity of phraseology is now endeavoured to be effected under the consolidation of the statutes by the Statute Law Commission, *ib.* 170–172. 178.

Considerable defects at present in the phraseology and style of drawing Public Bills, *Rickards* 188, 189; *May* 435——Benefits anticipated from a consolidation of the Statute Law, and an uniformity of style and language, *Ker* 274–276——The promotion of uniformity of language is one of the main duties to devolve on the proposed revising officer, *May* 498. 560.

The proposed revising clerk should ascertain and report that the Bill is satisfactorily expressed, *Coode* 572——Tendency of the present manner of legislation to lead to ambiguity and confusion, *ib.* 574–581. 612–615——Great difficulty in ascertaining whether the expression of any Act is satisfactory, *ib.* 662–664.

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Poor Law Acts. Probable consolidation of the numerous Poor Law Acts had there been a proper system of revision in operation, *Coode* 624–628.

Poor Removal Bill. Explanation as to an ambiguous expression in the Poor Removal Act in consequence of an alteration injudiciously made by a clerk in the Poor Law Commission in the original drafting, with the intention of making it more intelligible, *Coode* 580, 581. 591–605——Circumstances under which the Poor Removal Bill was necessarily drawn up in a dry and somewhat unintelligible style, *ib.* 591. 594–599——Under a system of official supervision the alterations made in the Bill would not have been allowed, *ib.* 593.

Preparation of Public Bills. With regard to a suggestion thrown out, but not advocated, in the First Report of the Statute Law Commission, for the preparation of Public Bills by an officer or Board, witness adduces sundry objections thereto, *May* 429–433——The present system, however, is attended with some very serious defects, which urgently require correction, *ib.* 434, 435.

Private Bills. Advantage of official revision in the case of Private Bills affecting the general law of the country, *Coulson* 164, 165——Duty of witness, as counsel to the Speaker, and under the Chairman of Ways and Means, to examine all Private Bills; general course of action hereon, *Rickards* 186——Advantage derived as regards Private Bills from Lord Redesdale's Committee and Mr. Fitzroy's Committee, *Ker* 257. 305–311. 377–379.

Considerable improvement in Private Acts in consequence of the improved revision to which subjected, *May* 482——Propriety of any change in regard to Public Bills being founded upon the experience of the House with respect to Private Bills, *ib.* 487——Inapplicability to Public Bills of the system of revision used in the case of Private Bills, *Coode* 613. 659–661——Advantage in the revision of Public Bills being carried out by the same instrumentality as the revision of Private Bills, *Rickards* 855. 862–865.

Reference by Mr. Coulson and Mr. B. Ker to the existence already of a system for the supervision of Private Bills having reference to detailed Standing Orders, *App. p.* 122, 123.

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Progress of Bills. Belief that the progress of Public Bills through Parliament would not, on the whole, be delayed by the proposed official supervision, *Coulson* 105. 109—— The Standing Committee should interfere as little as possible with the progress of Bills through Parliament, *May* 514.

Public Bills. Nature of the supervision exercised by witness in regard to Bills emanating from several of the public departments, *Coulson* 6–9——Practice in the case of Bills introduced by private Members, and referred to witness for revision, *ib.* 16–19.

Defects at present in Public Bills in the phraseology and style, as well as through the occurrence of inaccuracies and inconsistencies, *Rickards* 188, 189——The style of the Public Acts has, however, much improved of late years, *ib.* 189.

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Copy of the Second Report of the Statute Law Commission relative to a revision of the current legislation, and a classification of the Public General Statutes, *App. p.* 117–121.

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Suggestions by Mr. Coulson and Mr. B. Ker for the classification of the Public General Acts and the revision of Public Bills, as recommended in the Second Report of the Statute Law Commission, *App. p.* 122, 123.

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Q.

Qualifications of Revising Officer. See *Counsel for the Revision of Public Bills*, 3, 4.

R.

Re-committal of Bills. If a Bill be amended by the House in Committee, and then referred to the proposed Standing Committee, it must be considered again by the House in Committee, *Coulson* 66–68——It is better generally that Bills should be re-committed and run the risk of being lost altogether rather than pass into law in an incongruous and dubious state, *Coode* 752–755——The House might adopt amendments suggested by the Standing Committee, and the re-committal of the Bill would not, save in exceptional cases, be necessary, *Rickards* 880–884.

Re-enactments. With regard to the amendment of Acts of Parliament, it is generally most convenient to repeal the whole law and to re-enact it with the amendments, *Coulson* 181, 182——It is very desirable to confine the attention of the House to the point of the Act which requires amendment, *ib.* 182, 183.

Responsibility. Disadvantage as regards the proposed Standing Committee, in so far as the responsibility of the revising officer of the House is thereby divided, *Coulson* 77–81——Doubt as to any injurious diminution of the responsibility of introducers of Bills, in consequence of the supervision of the Standing Committee and revising officer, *Coulson* 91–104; *Ker* 344–346. 353–359——The labour and responsibility should chiefly fall on the revising officer, *Rickards* 230.

Individual responsibility is far preferable to the responsibility of a Board or Commission, *Ker* 336; *Coode* 742, 743——Responsibility of the officer for any information he may convey to the House with regard to the bearing of any Bill upon previous legislation, *Coode* 622, 623——It is very important that the officer should be "exclusively subservient to the whole House," and not merely to the Speaker, or Chairman of Committees, or any other person, *ib.* 735.

Retroactive Legislation. Objection generally to the retroactive operation of statutes, *Coode*, 590.

Revising Officer. See *Counsel for the Revision of Public Bills.*

Revision (*Public Bills*). Sundry benefits anticipated from the proposed supervision of Bills by an officer of the House or a Board, as suggested by the Statute Law Commissioners, *Coulson* 42 *et seq.*——In the case of a Bill prepared by the legal advisers of any department, such as the Poor Law Board, it could hardly be usefully revised in detail by the officer of the House, *ib.* 44–46. 63. 91——A detailed revision by the officer would also be unadvisable in the case of Bills introduced for the reform of the law, upon the report of Commissions of Inquiry, *ib.* 44–46. 63. 100, 101. 104. 143–146——Impracticability of finding a person sufficiently well qualified to undertake a detailed revision of every Bill, *ib.* 143–146.

An officer or Board for the supervision of all Public Bills would be of considerable use, *Rickards* 198. 218——All Public Bills should be referred to the officer by Standing Order, *ib.* 204–206——Question as to the amount of labour which would devolve upon the proposed officer; opinion that, with a competent assistant, he would be equal to the task, *ib.* 227–229——Witness does not contemplate that the Standing Committee should devote much time or labour to the work, *Rickards* 230–232; *Ker* 338–340.

The revision would be more especially useful in the case of Bills brought in by private Members of the House, *Ker* 356–364——Private Members would soon get into the way of showing their Bills to the revising officer, but should not be compelled to do so, *ib.* 366, 367. 380–382.

Objection to a preliminary revision by either an officer or Board of all Bills, prior to their introduction into Parliament, *May* 432——Classification of the statutes of 1855 adverted to; inference that the revision of Government Bills would be comparatively light, *ib.* 518——Less labour in the revision of Government Bills than of the Bills of independent Members, *ib.* 518–523. 532–534. 558.

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Proposition that the labour of the revision would be purely clerical, and should be performed by a clerk of the House, *Coode* 572——Revision is not likely to be very effective at first, but will be more complete from Session to Session, *ib.* 624. 631. 636——The work of revision, as contemplated by witness, would not be very laborious, and would always be becoming easier, *ib.* 629–631. 636——The work would be most severe in the first Session of undertaking it, *ib.* 720. 722. 725.

The labour of revision would be most severe at the latter part of the Session, when the Bills are chiefly in Committee, *Rickards* 855. 859. 877——Impossibility of estimating beforehand the amount of labour to devolve upon the revising officer, *ib.* 855. 875——The first Session will probably be the most onerous, *ib.* 855.

Copy of the considerations and suggestions put forward in the Second Report of the Statute Law Commissioners as to the appointment of an officer or Board to revise and improve the current legislation, *App. p.* 117, 118.

Remarks by Mr. Coulson and Mr. B. Ker as to the objects of an official supervision of Public Bills, with suggestions for the attainment of such objects, *App. p.* 122, 123——Remarks as to the inexpediency of requiring a previous official revision of all Public Bills, as a condition of introduction into Parliament, *ib.* 123.

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Mode in which the action of the Standing Committee should take place, with a view to the amendment of any errors pointed out by the revising officer, 226. 230. 239——Question as to the amount of labour which would devolve on the proposed officer; opinion, that with a competent assistant he would be equal to the task, 227–229——Witness does not contemplate that the Standing Committee should devote much time or labour to the work, 230–232——The Committee would mainly be useful in giving weight and authority to the action of the officer, 230. 233–238.

The labour and responsibility should chiefly fall on the revising officer, 230——The Member in charge of the Bill should be, by Standing Order, a member of the Committee, 233——In many cases, revision would be effected by communication between the revising officer and the Member in charge of the Bill, without reference to the Committee, *ib.*——The revising officer would not have a voice in actually striking out objectionable clauses of the Bill, but would rather point out to the Committee the operation of such clauses, 239.

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Rickards, George Kettilby. (Analysis of his Evidence)—*continued.*

[Second Examination.]—Explanation as to the amount of witness's engagements in regard to the revision of Private Bills; his time is thus taken up more especially in the first four or five months of the Session, 854–857——Without the aid of an assistant, he could not undertake a revision of Public as well as of Private Bills, 855–861——Necessity of commencing the revision of Public Bills at as early a stage as possible, 855. 859——The labour of revision would be most severe at the latter part of the Session, when Bills are chiefly in Committee, 855. 859. 877.

Willingness of witness to act as assistant in any scheme for the revision of Public Bills, or to undertake the task, provided he be allowed an assistant, 855. 864–867. 871——Advantage in the revision of Public Bills being carried out by the same instrumentality as the revision of Private Bills, 855. 862–865——Impossibility of estimating beforehand the amount of labour to devolve upon the revising officer, 855. 875——The first Session will probably be by far the most onerous, 855.

The reviser should select his own assistant, 866——A well-trained young barrister would be the best assistant, 867——Considerable amount of additional labour devolving on witness, as Examiner of Recognisances, upon the assembling of a new Parliament, 868–874——It should be pre-arranged whether Public Bills or Private Bills are to have a priority of claim on the revising officer's attention, 876.

Further recommendation that the reviser should take up the Bill as soon as it had passed the second reading, 878——He should at this stage examine the Bill in conjunction with the draftsman, *ib.*——And should report any defects to the Member in charge of the Bill, *ib.*——He should also again examine the Bill, with reference especially to the effect of amendments, after it had passed through Committee, *ib.*——And should report his views to the Standing Committee, who should exercise their judgment upon them, and, if necessary, communicate them to the House, 878, 879——The House might adopt amendments suggested by the Standing Committee, and the re-committal of the Bill would not, save in exceptional cases, be necessary, 880–884.

Rickards, Mr. See *Counsel for the Revision of Public Bills*, 5.

Rules and Regulations. The revising officer should himself ascertain by experience the nature of his duties, and frame his own regulations, *Coode* 843. 851——Decided objection to the suggestion that the Statute Law Commissioners should frame the rules of the reviser, *ib.* 843–851.

S.

Sardinian Code. Of foreign codes, the Sardinian code is the most consistent in itself, *Coode* 788.

Scotland. In the event of Bills coming before witness which apply to Scotland, he uniformly suggests a reference to the Lord Advocate, *Coulson* 169——Expediency of there being some one on the staff of the proposed revising officer, well acquainted with the law and forms of Scotland, *Ker* 423.

Staff. Inexpediency of a regular staff in order to carry out a detailed efficient revision applicable to all Bills, *Coulson* 143——Approval of the appointment of a revising officer, with competent assistants, *Rickards* 199, 200. 219; *Ker* 256. 335–337; *May* 472, 473. 497——With a competent assistant the revising officer would be equal to the task, *Rickards* 227–229——Suggestion relative to the number and qualifications of the staff to be attached to the revising officer, *Ker* 277, 278. 282–288. 423.

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The revision could be effected by one officer with a messenger under him; grounds for this opinion, *Coode* 719–732——Circumstance of witness, with the assistance merely of his daughter, having in six weeks made an examination, &c., of nearly all the Acts passed during the Session of 15 and 16 Vict., and during the following Session up to the 1st June, *ib.* 722–732.

The reviser should select his own assistant, *Rickards* 866——A well-trained young barrister would be the best assistant, *ib.* 867.

See also *Committee on Public Bills.* *Counsel for the Revision of Public Bills.*

Standing Committee on Public Bills. See *Committee on Public Bills.*

Standing Orders. Suggestions by Mr. Coulson and Mr. B. Ker with reference to the Standing Orders necessary for carrying out the proposed official system of revision of Public Bills, *App. p.* 122, 123.

Statute Law Commission. Witness is one of the Statute Law Commissioners, and signed the Second Report of the Commission, *Coulson* 35, 36.

Witness has been a member of the Commission since its institution in 1854, *Ker* 241. 245–250——Receives a salary of 1,000 *l.* a-year, the other members being unpaid, *ib.* 248. 252——In addition to his duties as member of the Commission, witness

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Statute Law Commission—continued.

witness occasionally assists the Lord Chancellor in considering Bills, but does not receive any additional pay for so doing, *Ker* 259-261. 264. 289. 410, 411—— Reference to the instructions of the Lord Chancellor under which the Statute Law Board was first experimentally appointed in 1853, *ib.* 389——Statements as to the duties performed by witness and other members of the experimental Board, *ib.* 389-410.

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Comment on the documents hitherto issued by the Statute Law Commissioners, as displaying anything but competency, *Cooke* 843. 845. 851——Very imperfect character generally of the Second Report of the Commissioners, *ib.* 843. 845. 851——Comment on the definition in this Report of the duties of the proposed reviser; constant iteration therein of the same matter in different clauses, the general mode of expression also being exceedingly defective, *ib.* 843-851——Exceedingly defective character of the instructions to draftsmen laid down by the Commissioners, *ib.* 843. 845——Comment also on the second branch of the Report relating to classification; the recommendations therein are all about division or aggregation, and are not at all pertinent to classification, properly so called, *ib.* 851——Opportunity of the Committee, by a searching examination, to rebut (if it were possible) witness's criticism on the Statute Law Commission, *ib.* 852.

Statement by Sir Fitzroy Kelly, to the effect that the Committee cannot afford time to meet the foregoing observations and criticism of Mr. Coode, *Ev. p.* 112.

Copy of the Second Report of the Commissioners, *App. p.* 117-121.

See also *Walpole, Right Hon. Mr.*

T.

Temporary Enactments. One object of the proposed supervision of Bills would be to prevent the introduction into temporary Bills of enactments which are intended to be of permanence, *Coulson* 43.

Treasury Bills. The Common Form Bills of the Treasury are generally prepared by the financial clerk of the Treasury, *Coulson* 4, 5.

U.

Uniformity. A systematic supervision would be extremely useful in securing attention to those general rules applicable to all legislation which at present are often neglected, *Coulson* 43-46. 91-94. 102, 103. 143-149——One object of the supervision would be to prevent enactments of general application being inserted in special Bills, *ib.* 43——In shortening Bills and in establising rules applicable to all legislation, the Committee on Public Bills would be very useful, *ib.* 82.

Benefits anticipated from a consolidation of the statute law, and from an uniformity of phraseology and style, *Ker* 274-276——Though mistakes cannot altogether be prevented by the proposed revision, legislation may be made more uniform and less conflicting and inconsistent, *ib.* 327-334. 348 *et seq.* 385——The chief defects in Public Bills are want of uniformity in style and language, and the frequent adoption of conflicting provisions upon analogous subjects, *May* 435.

See also *Ambiguity. Conflicting Enactments. Counsel for the Revision of Public Bills,* 6. 8. *Phraseology.*

W.

Walpole, Right Honourable Mr. The Second Report of the Statute Law Commission was originally a plan of Mr. Walpole's, and was adopted by the Board, *Ker* 254.

REPORT

FROM THE

SELECT COMMITTEE

ON THE

STATUTE LAW COMMISSION;

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

MINUTES OF EVIDENCE,

APPENDIX AND INDEX.

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